Relationship Marketing:

Complex Customer Relationships in Project-based Markets

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Signature

Kevin Michael Swarts
15 February 2020

Abstract

The construction industry has high levels of conflict and low rates of customer satisfaction. Relationship marketing is an organisational approach that improves cooperation and customer satisfaction. Yet relationship marketing theory has been developed for traditional service industries, such as banking and hospitality, where firms benefit from customer retention. In contrast, construction firms operate within project-based markets where the need to retain customers is of less value and importance to the business. Furthermore, the nature of the 'customer relationship' within these markets comprises of several characteristics that make them complex. Within this context, this thesis investigates the transfer of relationship marketing to project-based markets which are characterised by these complex customer relationships.

This research uses an explanatory sequential mixed-methods approach. Phase One comprised of an online survey, which was sent to 4,928 Australian construction firms. A total of 175 completed responses were received. Phase Two used semi-structured interviews, which were conducted with 19 Australian construction firms. The survey results reveal that although construction firms have a relationship marketing orientation, most rarely engage in traditional relationship marketing activities. Furthermore, with respect to the nature of their customer relationships, eight of the nine characteristics were found to be present in this market. The interview findings demonstrate an evolving relationship focus, whereby construction firms balance the legal and social objectives of their customer relationships over time. In addition, the interview phase found that Australian construction firms place greater emphasis on customer referrals rather than repeat purchase intention. In general, the complex nature of the

customer relationships makes the transfer of relationship marketing theory into project-based markets difficult to implement.

This thesis contributes to relationship marketing research by exploring the complexity of the customer relationships in project-based markets and investigating how these relationships impact the extent to which this approach can be applied to the Australian construction industry. The implications for practice are that managers of project-based firms can adapt their relationship marketing to increase trust throughout project-delivery, and to focus on customer referrals rather than customer retention to maximise the benefits of adopting a relationship marketing approach.

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Key Words and Acronyms

ABS: Australian Bureau of Statistics

B2C: Business to Consumer

B2B: Business to Business

CCR: Complex Customer Relationships

CLV: Customer Lifetime Value

CRM: Customer Relationship Management

GDP: Gross Domestic Product

HIA: Housing Industry Association

KMV: Key Mediating Variable model of relationship marketing

Licensed Builder: A Registered or Accredited Builder

MARKOR: A behaviour-based Measure of Market Orientation

MKTOR: A culture-based Measure of Market Orientation

MBA: Master Builders Australia

RM: Relationship Marketing

RMA: Relationship Marketing Activities

RMO: Relationship Marketing Orientation

ROR: Return on Relationships

S-D Logic: Service Dominant Logic

SPSS: Statistical Package for the Social Sciences

TQM: Total Quality Management

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Chapter One

Introduction to the Thesis

Chapter 1: Introduction

1.1 Introduction to the Chapter

This chapter introduces the thesis by presenting the background to the research and the industry context for this study. The research problem is outlined, and the research purpose is established. The research questions are also presented, which are used to guide the research process. At the end of this chapter, the research scope is discussed followed by an explanation of how the thesis is structured.

1.2 Background to the Research

Relationship marketing is a well-developed theory that explains how to improve organisational performance through building long-term relationships with valuable customers (Palmatier 2008b). An organisation adopting a relationship marketing approach shifts their focus from customer acquisition to customer retention (Berry 1983). A key outcome of effective relationship marketing is increased customer loyalty through improving customer satisfaction (Grönroos 1994a). While relationship marketing is effective in many industry contexts, there are limitations in applying this theory to project-based markets with complex customer relationships. This is particularly evident in the construction industry (Davis 2005; Skitmore & Smyth 2007; Wolstenholme 2009).

In a recent article about the future of relationship marketing, Gummesson (2017) emphasised the need to address complexity in marketing. He calls for the focus of future research to better understand complexity. Gummesson (2017, p. 1) points out that there are many different perceptions of relationship marketing because this theory deals with ‘extremely

complex and composite phenomena'. These complex phenomena are the interactions between buyers and sellers in a network of relationships called life. One important area of complexity within marketing, is the complexity of customer relationships. This is particularly evident when examining customer relationships in project-based markets.

'Complex customer relationships' is a term used in this thesis to describe the ongoing interaction within a project between buyers and sellers that exhibit numerous, intertwined characteristics that distinguish them from other types of customer relationships. These relationship characteristics include, for example: a legal-centric relationship that focuses on contractual compliance rather than trust and loyalty; an extended transaction throughout the duration of a project; a strong emotional attachment to the product; and dynamic changes in values that lead to changes in customer preferences. This thesis develops the idea that customer relationships are unique within project-based markets because of these characteristics. It is theorised that the complex nature of the relationships within project-based markets influence the adoption and effectiveness of relationship marketing by businesses seeking to improve customer satisfaction and loyalty.

1.3 Research Context

Project-based markets are collections of buyers and sellers that temporarily engage in collaborative enterprise to co-create a unique product. These markets involve project-based firms that provide a 'a temporary endeavour undertaken to create a unique product or service' (Project Management Institute 2000, p. 4). Examples of project-based markets include; the engineering industry (Razmdoost & Mills 2016), the construction industry (Gann & Salter 2000), the film industry (Bielby & Bielby 1999), and the telecommunications and

information systems sectors (Keegan & Turner 2002). Project-based markets range from those that have a single firm servicing a single major project, to firms which produce many projects at the same time (Hobday 2000). While there are numerous industries and sectors that use project-based markets, the scope of this research focuses on the Australian construction industry.

The construction industry is a broad term that includes building construction, heavy and civil engineering construction, and construction services (ABS 2006). This research focuses on building construction, which includes both residential and non-residential sectors. There is an important difference between these sectors. The residential sector consists of housing, apartments, duplexes, and flats (ABCB 2020). This sector is generally referred to as the *housing* industry which encompasses all residential construction, including renovations (HIA 2020). The non-residential sector consists of commercial, industrial, and public buildings. This sector is often called *commercial* building (VBA 2020). While some project-based firms provide both housing and commercial buildings, firms specialising in housing construction typically service consumers, and as such are normally Business to Consumer (B2C) firms; while project-based firms specialising in commercial construction typically service other businesses and are called Business to Business (B2C) firms.

Construction Industry

The construction industry is a key element of Australia's national competitiveness and an important part of the economy (Hampson 2010). The Business Council of Australia's report into industry competitiveness identifies the construction industry as a significant sector in the economy because it provides critical inputs to trade-exposed sectors and is one of Australia's

largest employers (Livingstone 2014). It is the third largest industry (by employment), sales contribute to 21% of Australia's Gross Domestic Product (GDP), and the industry's value added contribution is 7.6% of GDP (Richardson 2014). The industry employs around 9% of the nation's workforce, which is more than one million people (DoE 2015). In 2012 there were 209,783 businesses in this industry that generated a total income of $305 billion (ABS 2013). The construction industry is also important for Australian consumers, as housing (excluding land) accounts for 22.7% of expenditure used in the calculations of the consumer price index (ABS 2018a).

At an international level, the construction industry has historically experienced low rates of customer satisfaction when compared to other industries (Forsythe 2015; Kärnä, Junnonen & Kankainen 2004; Leung, M-y, Ng & Cheung 2002). There have been efforts to improve the performance of the construction industry, both internationally and in Australia, however there is still the general impression that the industry is underperforming (Egan 2008; Miller et al. 2009). The industry has been criticised in a number of reports for being ineffective, not providing good value to its customers, having poor and inconsistent procurement practices, being fragmented, as well as being adversarial and disharmonious (Egan 1998; Latham 1994; Miller et al. 2009; Wolstenholme 2009).

At a national level, the Australian construction industry has high levels of conflict and low rates of customer satisfaction. Research has shown that the industry is plagued by defective work and poor quality, with one in eight houses (i.e. 12.5%) having reported defects, and rectification costs adding up to 4% of the construction contract value (Mills, Love & Williams 2009). Other Australian research shows that only 29% of houses built in the state of

Victoria were completed without defect (Georgiou, Love & Smith 1999). In general, Australia has serious issues with building disputes, and the cost of dissatisfied customers is estimated between $560 million and $840 million per year (CRCCI 2009). Reports also show that the Australian construction industry has a disproportionately high number of insolvencies (CFMEU 2015). For example. the Australian Securities and Investments Commission (ASIC 2014) report that the construction industry accounts for 23% of all business lodging for external administration (insolvency), which is the second highest of all industry categories.

Relational Approach

The importance of using a relational approach in the construction industry to address these issues is well known. In 1997 the United Kingdom (UK) government commissioned a task force to improve the country's efficiency and quality of construction. As a result, the Egan Report (1998) was published with the main findings showing that the UK industry was underachieving. The recommendations of this report were to replace competitive tendering with long-term relationships based on clear measurement of performance and sustained improvements in quality and efficiency. The challenge to adopt a more customer-focused approach, with an emphasis on quality and customer satisfaction, has seen some improvements in the UK construction industry (Prisk 2009). However, industry performance reports show that construction firms are still struggling to improve and maintain customer satisfaction (Glenigan 2015).

In Australia, Davis (2005) has produced a doctoral dissertation on the application of relationship marketing to the construction industry. This research specifically addressed alliancing (where two or more organisations form an alliance to work together on a project)

as a manifestation of relationship marketing; and concluded that relationship marketing should be more widely adopted by the industry. Miller et al. (2009) also produced a report for the Australian Government Department of *Innovation, Industry, Science and Research* on how to improve procurement and project-delivery within the built environment. Overall, this report suggested that the adversarial nature of the industry acts against innovation and sustainability. The report recommends a move away from procurement models that encourage litigation, towards a relational approach to deliver construction projects.

Despite extant research outlining the problems with disputes and low customer satisfaction, the construction industry still fails to successfully implement a relationship marketing approach to business. Improving marketing and procurement in the construction industry has been called the 'Holy Grail' and at the same time the 'Gordian Knot', with numerous studies and reports stressing the need for more collaboration and integration within the industry (Baldry 2012). This thesis ambitiously seeks to contribute to the quest of unravelling this Gordian Knot to improve customer satisfaction within the construction industry.

1.4 Research Problem

Van de Ven (2007) advocates that academic research should be grounded in a real practitioner problem. From an industry perspective, the problem of increasing customer satisfaction and reducing disputes within the construction industry is a difficult one. It is apparent that there is a need to move away from traditional procurement methods and develop a relationship marketing approach to construction that improves customer satisfaction (Egan 2008; Wolstenholme 2009). It is also apparent that relationship marketing is the most likely theoretical framework in which to improve customer satisfaction within the

industry (Davis 2008; Fink 2014). However, given the difficulties in applying relationship marketing to construction, more work is needed in refining this theory to make it more adaptable to the construction industry (Davis 2005; Smyth & Fitch 2009).

As outlined previously, relationship marketing is a proven approach to improving organisational performance by increasing customer loyalty (Berry 1983; Grönroos 1994a). However, most of the empirical studies in developing relationship marketing theory have been within the financial, retailing, manufacturing, and hospitality industries (Das 2009). Yet the industry context has an influence on relationship marketing effectiveness (Palmatier 2008b). Previous research shows that relationships can have certain characteristics that influence the application of relationship marketing (Jiang, Henneberg & Naude´ 2012; Leung, M-y, Liu & Ng 2005; Siva & London 2011; Swarts, Lehman & Lewis 2016). Yet it is unknown how complex customer relationships impact the effective transfer of relationship marketing theory. A summary of the issues for both the industry and academia are listed in Table 1 below:

Table 1: Summary of Issues

Academic
The theory of relationship marketing is difficult to apply in some industry contexts.
The complex nature of the relationships impacts the transferability of RM theory.
Relationship marketing theory requires adjusting for application to project-based markets.
Industry
The building industry is high in conflict and disputes.
The building industry is low in customer satisfaction.
Traditional relationship management processes contribute to underperformance.

Source: Summary of issues presented in this thesis.

1.5 Research Questions

To address this problem, this research aims to determine the extent that relationship marketing theory transfers to an industry context with complex customer relationships. To provide direction to the study, the following research question has been devised:

> ***To what extent does relationship marketing theory transfer to an industry with complex customer relationships?***

The traditional view of relationship marketing has been developed within a context that addresses the business needs of service organisations to increase customer loyalty through repeat purchases. Some of the basic assumptions and axioms of relationship marketing theory do not hold for project-based markets. These include an ongoing desire for the service (c.f. Berry 1983), firms using customer relationships as a source of competitive advantage (c.f. Webster 1992), trust and commitment rather than legal contracts (c.f. Morgan & Hunt 1994), and mutual cooperation within markets as opposed to competition and conflict (c.f. Sheth & Parvatiyar 1995a). As such, the context in which relationship marketing theory has been developed has produced a theory that is not ideally suitable to apply to project-based markets. As the Australian construction industry is used as the context for this research, the first specific research question is:

SRQ1: To what extent are Australian construction firms using relationship marketing?

In addition to understanding the extent firms are using relationship marketing, this research seeks to determine the Relationship Marketing Orientation (RMO) of Australian construction

firms. RMO can be thought of as the 'implementation of the relationship marketing concept' (Sin et al. 2005, p. 186). However, given the complexities of implementation in project-based markets, in this thesis RMO is considered a measure of the intention a business has to implement relationship marketing. Therefore, specific research question two is:

SRQ2: What is the relationship marketing orientation of Australian construction firms?

Finally, to understand the nature of customer relationships within project-based markets, this research aims to determine what relationship characteristics are evident in complex customer relationships. Nine relationship characteristics are proposed (from the literature) that are expected to be evident within complex customer relationships. These relationships have multiple characteristics that are internally homogeneous and externally heterogeneous that make them distinct from other types of customer relationships. Measuring complex customer environments includes component preponderance and component heterogeneity. As such, the number of distinct relationship characteristics (i.e. components) that differentiate project-based relationships from typical customer relationships add to the complexity of these relationships. Furthermore, the dissimilarity or diffusion among relationship components adds to the complexity of the relationship. Therefore, specific research question three is:

SRQ3: What relationship characteristics are evident in complex customer relationships?

1.6 Purpose Statement

Creswell (2014) states that a purpose statement should be included in the introduction chapter that contains the overall intent of the study. The purpose of this research is to establish how relationship marketing theory transfers into an industry context that has project-based markets with complex customer relationships. The following purpose statement has been developed with the template developed by Creswell (2014, p. 134):

This study will address the application of relationship marketing in an industry with complex customer relationships. An explanatory sequential mixed methods design will be used, and it will involve collecting quantitative data first and then explaining the quantitative results with in-depth qualitative data. In the first, quantitative phase of the study, survey data will be collected from construction firms within Australia to examine the extent relationship marketing transfers to an industry with complex customer relationships. The second, qualitative phase will be conducted as a follow up to the quantitative results to further explain the results and gain further insight into the application of relationship marketing within in the Australian construction industry. Finally, the data from phase one and phase two will integrated to answer the research questions.

1.7 Research Scope

The idea of complex customer relationships may be applicable for project-based markets within many industry contexts. However, the scope of this research will focus on complex customer relationships within the Australian construction industry. Furthermore, when researching relationships, it is often beneficial to examine both sides of the relationship dyad; that is both the buyer side and the seller side of the relationship. This research project will

examine relationship marketing from the organisation (i.e. the seller) side. This is due to practical data collection reasons, but also if the industry is indeed to improve its performance, the change will need to be lead and implemented by industry practitioners (Wolstenholme 2009).

Relationship marketing for project-based markets can also be examined within horizontal networks, such as organisational alliances between firms (Davis 2005). However, for the purpose of keeping this thesis within a manageable scope, this research will primarily focus on the residential business-to-consumer relationship. Data will be collected from a variety construction firms, yet when possible, preference will be given to residential firms. It is expected that the elements of business to consumer relationships within the housing sector are more likely to clearly display the relationship characteristics within complex customer relationships.

1.8 Thesis Structure

This thesis is structured into seven chapters. This introduction chapter has provided the background to the research, given an overview of the research context, outlined the research problem, introduced the research questions, and discussed the scope of the research.

Chapter Two reviews the academic literature on relationship marketing. The theoretical approaches of relationship marketing are explored, including the key developments in relationship marketing theory. The literature on Relationship Marketing Orientation (RMO) is reviewed also in Chapter Two. In an attempt to more accurately measure the application of

relationship marketing in project-based markets, the literature on Relationship Marketing Activities (RMA) is also reviewed in this chapter.

Chapter Three reviews the literature on complex customer relationships. Complexity within organisational environments is discussed and this chapter also explores complexity within customer relationships. The various components of customer complexity are clarified by contrasting complex customer environments with complex customer relationships. Based on the literature, nine relationship characteristics that constitute complex customer relationships in project-based markets are proposed.

Chapter Four presents the research method use in this thesis, which comprises of two research phases. It outlines the philosophy that underpins the mixed-methods approach to the study. This chapter also explains the explanatory-sequential research design; and outlines the data collection and data analysis method. The issues of validity and reliability are addressed at the end of this method chapter, as well as the limitations of the research.

Chapter Five presents the survey findings from Phase One. The sample characteristics are presented to provide an overview of the survey respondents. Then the findings regarding complex customer relationships, relationship marketing orientation, and relationship marketing activities are presented. The survey findings are used to develop questions for the interviews with Australian construction firms.

Chapter Six presents the interview findings from Phase Two. The themes emanating from the analysis of complex customer relationships in project-based markets are presented, as well as the findings from the thematic analysis of the relationship marketing activities used by participating construction firms.

Chapter Seven discusses the findings from the quantitative survey with the findings from the qualitative interviews to answer the research questions. This is done by answering the three specific research questions presented in Chapter One. The theorical implications of this research are discussed, as well as the practical implications for managers in project-based firms. This chapter also concludes the thesis with a discussion of future research directions and a concluding statement.

1.9 Conclusion to the Chapter

This chapter has provided an introduction to this thesis. The background to this research has explained the difficulty of applying relationship marketing approaches to project-based markets that are characterised by complex customer relationships. The research is set in the context of the Australian construction industry, which has high levels of conflict and low rates of customer satisfaction. The research problem is that relationship marketing theory has been developed in the context of 'typical' service markets which benefit from customer retention, so its application to project-based markets where customers have no ongoing desire for the service needs refinement.

This chapter then sets out the overall research aim and the research questions. A main research question is presented, which is subsequently followed by three specific research questions. The purpose statement provides an overview of the mixed methods design, which uses two phases to answer the research questions. An overview of the thesis structure is provided, with a brief explanation of the seven chapters included in this dissertation.

Chapter Two

Literature Review: Relationship Marketing

Chapter 2: Relationship Marketing

2.1 Introduction to the Chapter

This chapter reviews the academic literature on relationship marketing. The purpose is to analyse the theoretical development of relationship marketing, outline what relationship marketing is and how it works, and to review the implementation of relationship marketing by project-based firms. To start the review, the early approaches to marketing are briefly discussed, and relationship marketing is defined by synthesising relevant definitions from prominent academic writers. Then, the theoretical foundations of relationship marketing are explored by reviewing the key contributions to the academic literature, and the market context of this research. These theoretical developments are analysed and compared to the suitability of applying relationship marketing in project-based markets.

Following this, the literature on Relationship Marketing Orientation (RMO) is reviewed. The psychometric scale developed by Sin et al. (2005) is evaluated using the six components of RMO. In an attempt to more accurately measure relationship marketing in project-based markets, the literature on Relationship Marketing Activities (RMA) is also reviewed. These activities are the actual behaviours exhibited by organisations that adopt a relationship marketing approach. Twelve relationship marketing activities for project-based markets are discussed and grouped into the three groups as sub-divided by Palmatier (2008b); social, structural, and financial programmes.

2.2 Early Approaches to Marketing

The basis for much of today's marketing thought arose out of the era of manufacturing and mass production in Western countries in the years after World War II. Society had a production focus that engaged its members primarily as producers and soldiers (Bauman 2001). The United States (US) and other Western countries were in a post-war stage of development, and the expertise of military production learnt throughout the war was enabling manufacturers to produce more product (Shaw & Jones 2005). With this excess product, the manufacturing organisations were dominant in seeking answers on how to stimulate demand for surplus produce (Rosenbloom & Dimitrova 2011). This necessity for demand generation led marketing researchers to develop sales management and the birth of the marketing management school of thought (Shaw & Jones 2005).

The impact of a production society in the development of the marketing mix led to a transactional approach to marketing (Hultman & Shaw 2003). The aim of transaction marketing was primarily on selling products, with *exchange* at the core of all marketing activity (Bagozzi 1978; Hultman & Shaw 2003). Producers used short-term transactional marketing techniques, had a focus on driving sales, and the key determinant to success was the number of sales transactions (Osman, Hemmington & Bowie 2008). The production society was making products that organisations needed to sell, whether their customer wanted them or not. Furthermore, the mass production of consumer products required new forms of product distribution that connected manufacturers, wholesalers, and retailers (Shaw & Jones 2005). Consequently, the manufactures were no longer the people selling the products to the customers, which broke the link between the producer and consumer, and reduced the relationship aspect of buying and selling (Godson 2009, p. 8). Consequently, producers no longer had a direct relationship with their customers.

The broken link between the producer and the consumer highlighted the importance of customer relationships. The transactional approach to marketing resulted in a short-term focus and prevented the formation of meaningful marketing relationships (Loveock & Wirtz 2011). As a result, many organisations devoted significant resources to attracting new customers, and the retention of existing customers was neglected (Berry 2002). There was also a significant change happening in society. After World War II, modern society was changing from a production-society that engaged its members as producers, to a new type of individual consumer-society that engaged its members as consumers (Bauman 2001). In this new type of society, the promotion and extension of consumer choice was viewed as a manifestation of individual freedom (Smart 2010). Yet producers were unable to meet individual consumer demand using a transactional marketing approach. This was due to the focus on selling products rather than developing flexible organisations that specialised in relationship management techniques required for customising products to meet consumer needs (Sheth & Parvatiyar 1995a; Webster 1992). These factors highlighted the importance of developing customer relationships in marketing, which led to the development of relationship marketing.

2.3 Towards a Definition of Relationship Marketing

As outlined about, relationship marketing is contrasted with transactional marketing by developing long-term relationships to retain customers (Berry 1983). Long-term relationships create loyal customers, which increases customer retention and increases organisational performance (Palmatier 2008b). Relationship marketing is built on an old idea that is now at the forefront of marketing theory and practice (Berry 1995). The idea of businesses

developing valuable relationships with their customers by satisfying their needs and wants was not unknown to the earliest merchants (Grönroos 1994b). Yet relationship marketing emerged as a popular new paradigm in the 1980s due to a shift in focus from customer acquisition to customer retention (Chakravorti 2006, p. 21; Sheth & Parvatiyar 1995a).

The phrase 'relationship marketing' first appeared in the marketing literature in an article presented by Berry (1983) to the American Marketing Association's Services Marketing Conference. In this paper, relationship marketing is defined as 'attracting, maintaining and -in multi-service organisations- enhancing the customer relationships' (Berry 1983, p. 25). This initial definition conceptualised relationship marketing as an activity-based concept, which focused on customer relationships and was specific to service organisations.

Morgan and Hunt (1994, p. 22) also adopt an activity definition of relationship marketing but broaden the concept to refer to 'all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges'. This definition goes beyond the customer relationship and extends relationship marketing to *all* forms of relationships; which can include suppliers, subcontractors, intermediaries, and other stakeholders. The stage of 'identifying relationships' is also added to the process of activities that constitute relationship marketing (Morgan & Hunt 1994, p. 22). Their definition also includes the concept of relational exchanges, which is grounded in the neoclassical microeconomic theory of exchange (Vargo & Lusch 2008). The concept of relational exchange is contrasted with the more modern marketing concept of co-creation of value, which has a strong emphasis on the customer relationship through interaction and dialog rather than the exchange of value (Payne, Storbacka & Frow 2008; Sheth & Uslay 2007).

Grönroos (1997, p. 407) defines relationship marketing as ‘the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises’. This definition has a broad scope to include multiple stakeholders, yet it also includes an emphasis on mutual benefits that include organisational performance as well as the interests of other relationship participants. In this definition, the termination of relationships is included to reflect the reality that not all relationships are valuable to the organisation (Zeithaml, Rust & Lemon 2001).

Harker (1999, p. 16) undertook a synthesis of 26 definitions and concluded that relationship marketing is ‘an organisation engaged in proactively creating, developing and maintaining committed, interactive and profitable exchanges with selected customers [partners] overtime’. This definition expands the concept of relationship marketing beyond a process to describe an organisational approach or philosophy to marketing (Grönroos 1996). This idea of a new approach to marketing is often associated with a paradigm shift from transactional marketing to relationship marketing (Grönroos 1994a; Sheth & Parvatiyar 1995a). It is also supported by Berry (2002, p. 73) when reflecting on his original article by stating that ‘relationship marketing is holistic, a sum of integrated parts that drive a firm’s marketing competencies’. However, the definition by Harker (1999, p. 16) still uses the transactional exchange concept, rather than the co-creation of value that is more suitable for modern relationship marketing.

In synthesising these definitions within the relevant literature, a definition of relationship marketing has been developed which will be used for the purposes of this thesis:

Relationship marketing is an organisation approach that is engaged with identifying, establishing, maintaining, enhancing, and terminating relationships with customers and other stakeholders, to cocreate value and enhance organisational performance.

This definition acknowledges that relationship marketing is an organisational approach, which is a holistic form of marketing that distinguishes it from transactional marketing. This definition also comprises the five relationship stages, including relationship termination to reflect the reality that not all relationships are beneficial to the organisation. This definition of relationship marketing is not limited to customers, it includes all stakeholders. The purpose of relationship marketing is the co-creation of value, which is the foundation of modern marketing logic, in order to ultimately provide increased organisational performance (Vargo & Lusch 2004).

Business Relationships

While the above definition reflects a summary of the current understanding of the relationship marketing approach, it is important to also define the central concept of relationship marketing, which is the business relationship itself. In its purest form, a business relationship is characterized by a shared commitment by both the customer and the service provider (Liljander & Strandvik 1995). These business relationships include both the ongoing interactions between buyers and sellers as well as any transactions within the relationship. In this thesis, *transactions* are dyadic exchanges of value between buyers and sellers (Bagozzi 1975). This is typically when products are sold in the market; in this context a contract to provide construction services to the customer. A related but different concept is *interaction*,

which is the dialogue between two or more actors or with a standardised system or product (Grönroos & Gummerus 2014). This is typically the communication between buyers and sellers throughout the relationship, and are of central importance in marketing (Gummesson 1987). As such, a single transaction of a contract to provide services to construct a building is likely to lead to an ongoing series of interactions where buyers and sellers discuss the details of the project throughout the relationship. However, in business relationships there is a key difference between developing customer relationships a sequence of distinct exchange episodes; and managing customer relationships consisting of several interrelated exchange episodes (Eggert, Kleinaltenkamp & Kashyap 2019). The former is a series of 'discrete transactions' while the latter is a 'relational transaction' (Macneil 1977). The difference between discrete transactions and relational transactions impacts the analysis and understanding of value creation within these business relationships (Eggert, Kleinaltenkamp & Kashyap 2019), and as such it is important to explore these concepts in more detail.

According to Macneil (1977), truly *discrete transactions* are entirely separate from all other present relations, as well as from all past and future relations. In reality this is very unlikely to happen, as it could only occur between total strangers brought together by random chance where each party would never see each other again. If this were true, the transaction must happen instantaneously lest the parties develop a relationship that impacts the transaction which no longer makes it a discrete transaction. Rather, in business relationships there are some 'quite discrete transactions' that are free of 'extraneous social baggage' where there is little personal involvement of the parties, communication is limited to the transaction, there is little social exchange, and no significant past relations (Macneil 1977, p. 856). As such, the concept of discrete transactions specifically excludes relational elements of the transaction; for example, an onetime purchase of unbranded petrol at a rural independent fuel station

(Dwyer, Schurr & Oh 1987). In this scenario a shared commitment by both the customer and the service provider is lacking, and therefore no relationship (Liljander & Strandvik 1995). For these discrete transactions, the value is captured through distinct exchange episodes, such as the customer's expected evaluation of use of the product and the actual experienced value of the product (Eggert, Kleinaltenkamp & Kashyap 2019).

On the other hand, *relational transactions* are connected to previous transactions, ongoing transactions, and future transactions. These relational transactions are different from discrete transactions along several key dimensions (Dwyer, Schurr & Oh 1987). Macneil (1977) provides a number of different conceptual dimensions to contrast the difference between transactional and relational exchange. Dwyer, Schurr and Oh (1987) state that the most important of these concepts is the fact that relational exchange transpires over time and each transaction must be viewed in terms of its history and its anticipated future. As such, the value in relational transactions is the sum of experienced and expected benefits of an ongoing relationship (over time) consisting of several interrelated exchange episodes (Eggert, Kleinaltenkamp & Kashyap 2019).

In project-based markets, there is an important distinction to be made. Discrete transactions are one-off and separate from other transactions, and relational transactions are interconnected and ongoing. However, transactions in project-based markets are *complex transactions* because they incorporate elements of both discrete transactions and relational transactions. In essence these services fall in-between discrete and continuous as they have a long duration with many interactions but are also of a discrete type of transaction because they are single and separate purchases (Liljander & Strandvik 1995). Project-based

transactions can be considered somewhat of a discrete transaction by way of a single purchase of a contract rather than a sequence of transactions (Macneil 1977). Even though project contracts often have progress payments throughout the production of the project, the buyer and seller commit to a single project at the signing of the contract and the interactions throughout the contract relate to a single project (Dayanand & Padman 2001). Project-based transactions also have elements of relational transactions as they incorporate the ongoing nature of relationships, whereby the customer interactions throughout the project, such as sharing information and cooperative conflict resolution, are essential to mastering the various challenges related to the fulfilment of the contractual obligations. Each customer contact creates a 'moment of truth' that influences the firm's relations (Gummesson 1987). Nevertheless, all these activities are related to a single transaction and not to a business relationship as a sequence of transactions.

As project-based markets typically relate to a single purchase, relationship marketing theory in its traditional sense, which seeks to increase customer retention through a series of repeated transactions, is not entirely suitable for these markets. As such, it is important to review some of the basic requisites, axioms, and assumptions of relationship marketing, and contrast how they apply to project-based markets by examining some of the key developments that have shaped how the theory has been applied in the literature. Taking this approach allows for a critical appraisal of the applicability of relationship marketing to project-based markets, specifically the Australian construction industry.

2.4 Key Developments in Relationship Marketing Theory

Customer Retention

In 1983, Berry published his seminal article in which the phrase 'relationship marketing' was first used. The purpose of the paper was to question why organisations devote significant resources to attract new customers while ignoring existing customers (Berry 2002). Many firms at the time were focused on generating sales through acquiring new customers rather than retaining customers, and hence there was very little research on how to retain service customers (Schneider 1980). In this article Berry (1983) explains that relationship marketing is most applicable when the following conditions exist:

1) there is an ongoing desire for the service;
2) the customer controls the selection of service provider;
3) and, when there are alternative providers and customer switching is common.

While the original conditions for relationship marketing may be prevalent for most service providers, they need further consideration for firms in project-based markets. The first condition for the application of relationship marketing does not appear to be suitable for markets where customer value is delivered through projects. By definition, projects are unique and they have a distinct completion date (Prabhakar 2008). Once the project is complete, customers rarely have an ongoing desire to purchase another project. Customers who purchase project services, such as the construction of residential housing, usually do not intend to repeat their purchase and buy from the selling firm again in the near future.

The second condition is also problematic for applying relationship marketing to project-based markets. In normal customer relationships, the customer can terminate the relationship with

the service provider at any time and select another service provider. However, in project-based markets, customers normally sign a contract with the firm. This ensures the rights of both parties so that projects are completed, yet it also means that customers cannot terminate the customer relationship without significant legal ramifications (Seshadri & Mishra 2004).

The third condition for the applicability of relationship marketing also presents challenges for project-based markets. While there may be alternative service providers, customer switching from one firm to another is rare in project markets. Once the project has commenced, it is difficult for customers to switch from one firm to a competitor. As such, the nature of project-based markets is at odds with the suitability for the application of relationship marketing as originally conceptualised by Berry (1983). This means that if project-based firms are to effectively use relationship marketing, it needs to be reconceptualised to make this theory more applicable for markets in which there is no ongoing desire for the service.

The examples used by Berry (1983) to explain the theory of relationship marketing were all within high-service firms that have intangible products that do not result in a transfer of ownership (presented in Table 2). Intangibility is a key characteristic of services (Zeithaml, Parasuraman & Berry 1985) and is considered to be the best characteristic which differentiates services from goods (Leong, Hibbert & Ennew 2018). To illustrate intangibility, Shostack (1977) places products on a spectrum with intangible services being at one end, and tangible goods being on the other. An analysis of the examples used by Berry (1983) shows that of the twenty examples used, most of the examples are highly intangible and do not result in the transfer of ownership.

The tangibility of the product has an impact on customer attitude and behaviour. This is evident in a customer's expectations of service quality (Pleger Bebko 2000), and their evaluation of the service (Ding & Keh 2017). The transferability of ownership also makes the market exchange fundamentally different from those markets in which a service is provided without a transfer of ownership (Lovelock & Gummesson 2004). Normally services offer benefits to customers through access or temporary possession (e.g. transport, education, entertainment, and banking) instead of ownership transfer. Therefore, although project-based markets may be considered and analysed as services, the intangible nature and the transfer of ownership make the market offerings considerably different to the context in which the theory of relationship marketing was first developed.

Table 2: Berry's Examples to Support Relationship Marketing

Organisation	Industry (ANZSIC)	Intangibility	Transfer
Wachovia Bank	*Banking*	Very High	No
Merrill-Lynch	*Banking*	Very High	No
Xerox	Administrative Services	Moderate	No
American Express card	*Banking*	Very High	No
Free Spirit Travel	Travel Agency Services	High	No
Automotive Systems	*Automotive Repair*	High	No
Fairfax Hotel	Accommodation	High	No
Marriott Hotel	Accommodation	High	No
Real Estate Company	Real Estate Services	High	No
Car Rental Company	Motor Vehicle Rental	Moderate	No
Various airlines	Air and Space Transport	High	No
Transamerica Corp	Motor Vehicle Rental	Moderate	No
Citibank	*Banking*	Very High	No
Sports team	Sports and Recreation	Very High	No
University	*Higher Education*	Very High	No
Movie theatre	*Motion Picture and Video*	High	No
Marriott Hotel	Accommodation	High	No
Minnesota Power & Light	Electricity Supply	Very High	No
GEICO	*Insurance*	Very High	No
First Interstate	*Banking*	Very High	No
Delta Airline	Air and Space Transport	High	No

Source: Adapted from Berry (1983)

Key Strategic Resource

Webster (1992) wrote a paper to outline the changes that were occurring in marketing in the early nineties. The key idea of this contribution was that customer relationships are to be viewed as the key strategic resource for the organisation that provide the firm with a competitive advantage. The idea was developed by outlining the changing global market conditions by using examples of automobile firms (Ford, General Motors, etc.) and how these firms developed close relationships with their customers, as well as networks with multiple strategic alliances to focus on core activities. As such, Webster (1992) recommended that a firm should increase focus on relationship management skills and develop them as a core competency (c.f. Prahalad & Hamel 1990).

The implementation of a successful marketing strategy requires skills to develop and manage strategic alliances with partners of all kinds and keeping the focus on the customer (Webster 1992). This idea has also been further developed in project-based markets with contracting alliances, where relationship-based procurement leads to mutual benefit in business-to-business dealings (Davis 2004). However, there are limitations with project firms developing the skills required to derive a competitive advantage from Customer Relationship Management (CRM). Project-based firms tend to have a project-specific focus through project management rather than customer-specific focus through relationship management (e.g. key account managers) across multiple projects (Smyth & Fitch 2009).

Traditionally, marketing and project management have existed as separate disciplines, with very little attention given to marketing topics by project management researchers (Cova & Salle 2005). As such, the focus of obtaining a competitive advantage has not been on

developing customer relationships, but rather by successful project management techniques to deliver projects (Munns & Bjeirmi 1996). Project-based firms focus on safely delivering projects that are on scope, schedule, and budget to develop a sustainable competitive advantage (Rechenthin 2004). Research into relationship management within project-based markets has called for more strategic and tactical consideration to be given to the proactive management of relationships (Smyth & Edkins 2007). However, developing a competitive advantage from customer relationships as a key strategic resource has been difficult for project-based firms. While relationship marketing is theoretically applicable to project-based markets, it has been largely overlooked in practice (Skitmore & Smyth 2007).

Commitment and Trust

Morgan and Hunt (1994) theorised that relationship marketing requires commitment and trust to be successful in achieving organisational outcomes. They used decades of published research from organisational behaviour and the developing literature in marketing to present the Key Mediating Variable (KMV) model of relationship marketing. Data were collected from 204 automobile tyre retailers by self-administered questionaries to test thirteen hypotheses for each of the relationships between the variables. The analysis shows that all the hypothesised relationships were supported at the $p<0.01$ level. As a result, the findings demonstrated that commitment and trust are key mediating variables, and that networks characterised by commitment and trust engender cooperation (Morgan & Hunt 1994).

The contribution by Morgan and Hunt (1994) to relationship marketing research has had profound effects on the development of the theory. In a paper offering fresh perspectives on relationship marketing some twenty years later, Berry (2002) reflects that his original article

did not include the concepts of trust and commitment, yet he would now position trust and commitment at the centre of relationship marketing as all other elements revolve around these constructs. Morgan and Hunt (1994) also expanded the idea of relationship marketing by arguing that relationship marketing includes supplier partnerships, lateral partnerships, internal partnerships, and buyer partnerships. This idea supports the research by Webster (1992) stating that relationship marketing extends beyond the customer relationship, as introduced by Berry (1983), to include a range of stakeholders.

Despite the importance of trust, project-based firms tend to rely on legal contracts rather than relationships based on trust. Customer relationships in project-based markets have typically been predicated on a climate of mistrust, so firms focus on developing watertight contracts in order to protect the firm's interests in managing projects (Clegg et al. 2002). While contractual governance and relationship governance can be viewed as complementary, firms require legal contracts in markets where there are information asymmetries between buyers and sellers, unverifiable product outcomes, and no long-term stable relationship (Seshadri & Mishra 2004). In an effort to advance service improvement in project-based markets, Edkins and Smyth (2006) developed a relational-legal contracting performance continuum where faith and trust are on one side, and legalism and litigation on the opposite end of the continuum. Their research shows that relationship management principles are also found to be lacking in both the public and private sector. Even when firms try to implement relationship marketing into contracting through *relational contracting*, there is a long-term tendency for firms to revert back to legalistic contracting, which can be highly adversarial (Edkins & Smyth 2006).

Axioms of Relationship Marketing

Sheth and Parvatiyar (1995a, 1995b) made important contributions to the theoretical foundations of relationship marketing theory. Their first article outlines the evolution of relationship marketing and contrasts the axioms of transactional marketing with those of relationship marketing (Sheth & Parvatiyar 1995a). The second explores the antecedents and consequences of relationship marketing (Sheth & Parvatiyar 1995b). In studying the evolution of relationship marketing theory, the authors demonstrate how relationship marketing is not a new phenomenon, but rather a returning to a focus on the customer that was present in the pre-industrial era. They also highlight the limitation of the exchange paradigm within marketing and emphasise the importance of value creation rather than value transfer (Sheth & Parvatiyar 1995a).

In their papers, they outline the following axioms of relationship marketing (Sheth & Parvatiyar 1995a, p. 399):

1) Mutual cooperation, as opposed to competition and conflict, leads to higher value creation;
2) Interdependencies reduce transaction costs and generate higher quality while keeping governance costs lower than exchange marketing; and
3) Consumers like to reduce choices by engaging in an ongoing loyalty relationship with marketers (Sheth & Parvatiyar 1995b, p. 256).

The first axiom presented by Sheth and Parvatiyar (1995a) is that mutual cooperation, as opposed to competition and conflict, leads to higher value creation. Yet many project-based markets, such as the construction industry, frequently use competitive tender to procure business which is grounded in competition and conflict (Skitmore & Smyth 2007; Yan 2015). Furthermore, the construction industry is plagued with disputes. In Australia, research shows

that only 29% of houses built in Victoria were without defect, leading to disputes between builders and their customers (Georgiou, Love & Smith 1999). The value of the global average construction dispute is estimated at US$43.4 million, and on average lasts for more than 14 months (Arcadis 2018). Therefore, while cooperation leads to higher value creation, the conflictual nature of the construction industry may limit the potential of value creation in these markets.

The second axiom is that interdependencies reduce transaction costs. Yet transaction costs (Williamson 1975) in residential construction, although difficult to measure, are expected to be proportionally less than other industries because of the high production costs of construction (Costantino & Pietroforte 2010). Furthermore, the research by Skitmore and Smyth (2007) concludes that relationship marketing has been overlooked by construction practitioners because of the increase of transaction costs (e.g. the cost of key account mangers) compared to a transactional approach. This finding demonstrates the very opposite of the relationship marking axiom, where relationship marketing is expected to reduce transaction costs - it can actually increase transaction costs within the construction industry.

The third axiom presented by Sheth and Parvatiyar (1995b) is that customers like to reduce choices by engaging in ongoing loyalty relationships. However, as previously pointed out, normally customers do not have an ongoing demand for home construction (Gilly & Enis 1982; Levy & Lee 2000). As such, the emphasis on customer loyalty to reduce choices is inappropriate. Therefore, upon further analysis, each of these three axioms that support relationship marketing does not appear to be true or widely accepted within project-based

markets. This is likely to have a considerable impact on the application of relationship marketing theory within this industry context.

Total Relationship Marketing

Gummesson (1999) also contributed to the development of relationship marketing theory. He published an influential book called Total Relationship Marketing, which expanded relationship marketing theory to incorporate it into the thirty relationships (30R) philosophy that was previously published in a journal article (Gummesson 1994, p. 11). The 30Rs approach challenges the 4Ps of marketing mix theory and replaces them with thirty different types of relationships a firm has with various stakeholders. The 30Rs were designed to present the broadest and most comprehensive framework of relationship marketing that had been designed to that date (Gummesson 1999). The operational purpose of the 30R model was to expand relationship marketing beyond the classic firm-customer dyad, and to provide a framework in which to manage the organisation's relationship portfolio.

The total relationship marketing concept also included the idea of the part-time marketer, where the whole firm is involved in the marketing effort and not just the marketing department (Grönroos 2004). Tony (2007, p. 1285) called this a 'new approach' in which marketing is seen as a function for the whole firm to be engaged with, rather than an occupation of a few within the firm. The idea of part-time marketing conveys the message that customer value and satisfaction cannot be delivered by only the marketing department, but rather total relationship marketing is the responsibility of all those with direct customer contact (Tzokas & Saren 2004). This idea of putting the buyer-seller relationship at the centre of the firm's thinking is also referred to as Relationship Marketing Orientation (Sin et al.

2005). Researchers have developed this construct into a scale which can indicate an organisation's approach and attitude towards relationship marketing (Gillett 2015; Sin et al. 2005).

Gummesson (1999) also develops the idea of Return on Relationships (ROR) within the total relationship marketing concept. He emphasises the importance of generating metrics in developing effective relationship marketing strategy (Rust, Lemon & Zeithaml 2004). Using metrics to measure the return generated from the investment in building relationships with key stakeholders allows managers to make informed decisions regarding which relationships are valuable and which relationships are not (Zeithaml, Rust & Lemon 2001). One of the benefits of measuring ROR is that it enables calculation of both joint and individual gains in the process of mutual value co-creation (Grönroos & Helle 2012). This idea is also important in customer value segmentation, where the most valuable customers, or customer groups, are identified and targeted in the marketing strategy (Hwang, Jung & Suh 2004). However, recent research suggests that building contractors are reluctant to use customer value segmentation and measure ROR (Swarts, Lehman & Lewis 2016). This is largely due to the complications in determining the value of customers because builders do have existing relationships with their customers so standard ROR metrics (such as customer lifetime value) based on customer loyalty do not work effectively.

Service-Dominant Logic

Vargo and Lusch (2004) made a significant contribution to the development of relationship marketing theory through Service-Dominant (S-D) logic. In their article, they outline how the study of marketing has developed from the foundation of economics and inherited the

economic model of exchange. This economic focus on transactional exchange from the industrial era was sufficient while marketing centred around commodities, intermediaries, and the industrial manufacturing of goods (Sheth & Parvatiyar 1995b). However, Western economies like Australia, Japan, Sweden, USA, and the UK have moved away from goods dominant economies towards service dominant economics, and these economic changes have challenged the way researchers think about marketing. New strains of marketing thought have emerged such as; Services Marketing (Shostack 1977), Relationship Marketing (Berry 1983), Quality Management (Crosby, PB 1980), and Network Analysis (Wasserman & Faust 1994). With this change, academics started to question and challenge the suitability of the exchange paradigm in developing marketing theory (Grönroos 1994b; Webster 1992).

The problem with the exchange paradigm is not the notion of exchange, but the focus on goods as the unit of exchange (Vargo 2009). This is because exchange theory is based on value distribution and the transactional outcomes of exchange; and as such the concepts of quality, service, and loyalty are lacking (Sheth & Parvatiyar 1995a). This limitation has prompted many early scholars (Christopher, Payne & Ballantyne 1991; Grönroos 1994b; Webster 1992) to highlight the inefficiency of the transactional model of exchange in marketing, and instead focus on value co-creation. There is the implied assumption in exchange theory that buyers and sellers have well-defined roles and that they independently create value. However, as Sheth and Parvatiyar (1995a) point out using the construction industry as an example; the nature of the interaction between builders and customers is not related to an independent creation and exchange of value, but rather of value co-creation.

The co-creation of value is fundamental to understanding how customer relationships work. In S-D logic, relationships are central in connecting the customer with the organisation. In effect, they are the means that bring about the exchange of value. This is because *value* is defined and co-created with the customer, rather than being embedded in goods or services, and service provision is fundamental to all economic exchange (Vargo & Lusch 2004). This means that in project-based markets, the focus of research should be on the co-creation of value between buyers and sellers, rather than the transaction of the goods they produce.

An Expanded View of Relationship Marketing

Palmatier et al. (2006) published a meta-analysis to combine the results of previous studies on relationships marketing and its effectiveness. The results show that relationship marketing positively affects business performance, such as loyalty, cooperation, and profit. Relationship marketing is more effective when relationships are more important to customers; such as services (versus goods) where customers are involved with production, channel exchanges (versus direct exchanges) where firms distribute their product through intermediaries, and business (versus consumer) markets where the buyers rely on the sellers for the success of their own business (Palmatier et al. 2006). Relationship marketing is also more effective when relationships are built with an individual within the firm (salesperson) rather than with the organisation (brand) itself. A model of the integrated antecedents, mediators, moderators and outcomes for relationship marketing is provided below (Figure 1).

The mediating variables in this model include both commitment and trust as established by Morgan and Hunt (1994). Palmatier et al. (2006, p. 139) also include relationship satisfaction, (different to customer satisfaction) defined as ‘customer’s affective or emotional state

towards the relationship'. Relationship satisfaction reflects the idea that customers may be satisfied with the individual with whom they have developed a business relationship with, such as a sales-person or account manager, but are not satisfied with the overall relationship they have with the firm or the market offering (Reynolds & Beatty 1999). Relationship quality is also included as a mediating variable, which is an 'overall assessment of the strength of the relationship' (Wulf, Odekerken-Schröder & Iacobucci 2001, p. 36). Relationship quality is a multidimensional construct that aligns with the idea of tie strength in social network theory (Granovetter 1973), and; includes the concepts of reciprocity norms (Palmatier et al. 2006) and exchange efficiency through reducing transaction costs (Williamson 1981).

Figure 1: Relational Mediator Meta-Analytic Framework

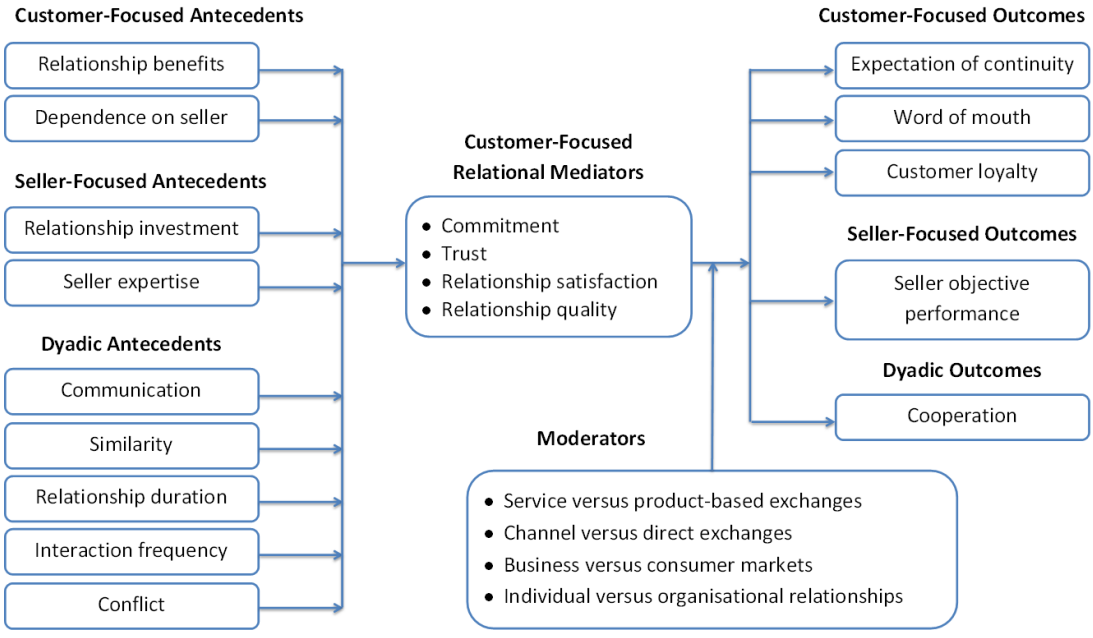


Image source: Palmatier et al. 2006

This expanded view of relationship marketing offers an overall perspective of how relationship marketing works. This is useful in determining the extent that relationship marketing theory transfers to project-based markets with complex customer relationships. Relationship investment has a large (and direct) effect on seller objective performance. This includes the firm's investment of time, effort, money, and other resources focused on building strong customer relationships (Palmatier et al. 2006). However, if firms do not invest in relationship marketing, they are unlikely to receive the benefits. Given that many of the benefits of relationship marketing, such as cooperation and customer loyalty, address the issues within project-based markets, such as disputes and low customer satisfaction; it is beneficial to determine if project-based firms are actually using relationship marketing.

2.5 Relationship Marketing Orientation

According to the literature, Relationship Marketing Orientation (RMO) is one way of determining if firms are using relationship marketing. RMO is the adherence to the relationship marketing philosophy which entails implementing relationship marketing principles to develop and maintain relationships with customers (Too, Souchon & Thirkell 2001). More simply stated, RMO can be thought of as the 'implementation of the relationship marketing concept' (Sin et al. 2005, p. 186). The idea of RMO has been developed from the idea of using market orientation to determine if firms are using the marketing concept.

Market Orientation

Market orientation has been defined as the organisational culture and the activities involved with the implementation of the general marketing concept (Kohli & Jaworski 1990; Narver & Slater 1990). There are two different views of marketing orientation. One view is focused on

behaviour and sees marketing orientation as the implementation of the marketing concept, while the other view is focused on organisational culture (Homburg & Pflesser 2000). The behavioural view has been developed by Kohli and Jaworski (1990) who state that a market-oriented organisation is one in which the three pillars of the marketing concept are operationally manifest; which are customer focus, coordinated marketing, and profitability. The cultural view has been developed by Narver and Slater (1990, p. 21) who describe market orientation as the organisational culture 'that most effectively and efficiently creates the necessary behaviours for the creation of superior value'.

The two most widely used metrics to measure market orientation is the scale developed by Kohli, Jaworski and Kumar (1993) called the MARKOR, and the scale developed by Narver and Slater (1990) called the MKTOR. Both were developed around the same time; however, they have a fundamentally different makeup that reflects the way market orientation is conceptualised. The MARKOR measures the behavioural view of market orientation. This view sees marketing orientation as the implementation of the marketing concept by using marketing intelligence (Kohli, Jaworski & Kumar 1993). In contrast, the MKTOR measures the cultural view of market orientation. This view sees marketing as the organisational culture that leads to the behaviours that create value for the customer (Narver & Slater 1990).

MARKOR

The MARKOR scale developed by Kohli, Jaworski and Kumar (1993) consists of 20 items and measures three constructs. These are the degree a strategic business unit performs the following: engages in market intelligence generation; disseminates this knowledge; and responds to market intelligence. Intelligence generation refers to the collection and

assessment of customer needs and the environment that influences customer needs. Intelligence dissemination is the exchange of market information within the organisation, both horizontally across departments and vertically across management levels. Responsiveness refers to how the organisation responds to market needs and trends (Kohli & Jaworski 1990).

While this scale has received considerable attention in the academic literature, some research using confirmatory factor analysis suggests that the MARKOR may lack generalisability across different industries and cultures (Caruana, Pitt & Money 2015). Another criticism of the MARKOR is that by focusing on intelligence-based activities, the scale fails to capture all stakeholders and only focuses on customers and competitors for understanding the marketing environment (Matsuno, Mentzer & Rentz 2000). This is in line with Jaworski and Kohli's (2017) reflection of the MARKOR, in which they argue the central idea of market orientation is that a customer-focused approach is too narrow as it focuses on only one stakeholder; as such organisations should be alert to other factors such as competitors and technology.

MKTOR

The MKTOR developed by Narver and Slater (1990) measures the culture that produces the necessary behaviours to create superior customer value. This scale includes customer orientation, competitor orientation, and inter-functional coordination. As well as the three orientation components, the scale was originally conceptualised to include two decision criteria; long-term focus, and profitability. However, during the scale validation process, the items for long-term focus and profitability did not meet the reliability criteria and were removed (Kumar, K, Subramanian & Yauger 1998). Similar to the MARKOR scale, the

components of customer orientation and competitor orientation related to the acquisition and dissemination of information (market intelligence). The MKTOR scale has been accepted in the literature as a valid and reliable scale (see, for example, Chan Hung Ngai & Ellis 1998; Kumar, K, Subramanian & Yauger 1998; Roersen, Kraaijenbrink & Groen 2013).

Research on the difference between these measures of market orientation shows that the MKTOR and MARKOR scales reveal mixed results. Oczkowski and Farrell (1998), for example, found that in general, the MKTOR is superior to MARKOR in explaining variations in measures of business performance. Conversely, Rojas-Méndez and Rod (2013) found similar levels of predictive power when using subjective measures of performance, yet the MARKOR scale was found to be better in explaining changes when measured by objective performance such as actual sales and gross margins. Despite the variation in results, the MKTOR scale underpinning the Narver and Slater (1990) model has been found to be the most robust measure of market orientation (Conduit & Mavondo 2001; Matear et al. 1997). The robustness of the MKTOR has led to this scale informing the development of the RMO scale to measure relationship marketing orientation.

The RMO Scale

Yau et al. (2000) use the MKTOR scale in the development of the RMO scale to assess the effects of market orientation and RMO on business performance. The RMO scale is a psychometric instrument that has been developed to measure relationship marketing. The conceptual development of the RMO scale uses six components; trust, bonding, communication, shared value, empathy, and reciprocity (Sin et al. 2002). These components are also used in other research on RMO which support using them to measure RMO (Kwan &

Carlson 2017). The six components used in the RMO scale also reflect the key elements of the KMV model of relationship marketing (Morgan & Hunt 1994) and the Relational Mediation Meta-Analytic Framework (Palmatier et al. 2006), as well as other key developments of relationship marketing theory previously discussed in the literature review.

As highlighted earlier in this chapter, trust has long been established as a central concept to relationship marketing. Trust is included as one of two key mediating variables in the KMV model of relationship marketing (Morgan & Hunt 1994). The construct of trust is also central in the relational meta-analytic framework as a relational mediator, and is defined as 'confidence in an exchange partner's reliability and integrity' (Palmatier et al. 2006, p. 138). Despite the strong reliance on contracts to manage relationships, trust is expected to still be a key factor in project-based markets. This is due to the necessity of maintaining an amicable relationship throughout an extended service transaction.

Bonding is the component of a business relationship that brings buyers and sellers together in a unified way to achieve a common goal (Callaghan & Shaw 2001). This variable is similar to commitment, and can result in feelings of friendship and comradeship (Callaghan & Shaw 2001). Commitment is the other key mediating variable used by Morgan and Hunt (1994) who describe it as the belief that an ongoing relationship with another is important enough to warrant maximum effort in maintaining the relationship. Commitment is more succinctly defined by Palmatier et al. (2006, p. 138) as 'an enduring desire to maintain a valued relationship'. In the application to RMO, bonding results in feelings of affection and a sense of belonging to the relationship and organisation (Sin et al. 2005). As shown in the literature, commitment and trust are regularly used as central concepts to relationship marketing.

Communication refers to the formal and informal exchange of information between buyers and sellers (Kwan & Carlson 2017). Communication is also included in the KMV model of relationship marketing as a precursor to commitment and trust (Morgan & Hunt 1994). Palmatier et al. (2006, p. 138) also use this in their model and define this variable as 'the amount, frequency, and quality of information shared between exchange partners'. Communication is expected to be important in all business relationships, but particularly crucial where there are large amounts of technical knowledge that needs to be exchanged between service providers and their customers, such is the case in project-based markets.

Shared value is also included in the model by Morgan and Hunt (1994, p. 25) who define it as 'the extent to which partners have beliefs in common about what behaviours, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong'. This is the only variable they argue is a direct precursor to both trust and relationship commitment. This variable is similar to the antecedent of 'similarity' in the Relational Mediator Meta-Analytic Framework, which refers to the commonality in lifestyle and status between individuals, or cultures, values, and goals in organisations (Palmatier et al. 2006).

Empathy is the ability or capacity to see the situation from each other's perspective. Previous research suggests that empathy is one of the core dimensions for analysing service quality (Kwan & Carlson 2017). In managing service complaints, empathy and courtesy are important elements in the application of interactional justice that helps to resolve complaints (Tax, Brown & Chandrashekaran 1998). Some research shows that empathetic listening helps to build relationships and connect in a meaningful way with customers. While conflict and

acquiescence are used, empathy is not included in the KMV model of relationship marketing or the Relational Mediator Meta-Analytic Framework. However, Palmatier (2008b) does use empathy in later work as an element of the relational behaviours that lead to financial outcomes from investing in relationship marketing activities.

Reciprocity is a social norm of responding to a favourable action by returning a positive reaction. Morgan and Hunt (1994, p. 24) include reciprocity as part of trust, and explain the operationalisation of this concept as 'mistrust breeds mistrust'. Palmatier et al. (2006) grouped reciprocity as part of seller-focused antecedents and found this had a large impact of seller objective performance. They recommend in their findings that relationship marketing models should include reciprocity, and that this should be investigated as an additional mediator given that reciprocity is the core of marketing relationships.

The components used in the RMO scale development align with the concepts reviewed within the key developments of relationship marketing. As such, there is a similarity between the dimensions of relationship marketing and the underlying principles of the marketing concept (Too, Souchon & Thirkell 2001). Moreover, the rigours development of the RMO scale makes it a good instrument to measure the extent that firms are implementing relationship marketing.

Relationship Marketing Implementation

Despite the suitability of the RMO scale to measure relationship marketing orientation, using this scale as a measure of the implementation of relationship marketing does have its

limitations. In line with the principles of market orientation measured by the MKTOR scale, the instrument measures a firm's culture rather than the activities or behaviours of what relationship marketing. Unlike the market orientation scale (MARKOR) developed by Kohli, Jaworski and Kumar (1993), the RMO scale does not measure relationship marketing behaviour. Instead, it measures the attitude of respondents toward the components of marketing orientation, rather than the actual behaviour or relationship marketing activities.

Therefore, while RMO is one way of determining if firms are using relationship marketing, it is more accurate to view the RMO scale as a measure of the organisational culture that leads to the behaviours of relationship marketing implementation. When the implementation of the relationship marketing concept is straight forward, the intention to apply a relationship marketing approach may be a suitable indicator for the adoption of this approach. If the implementation of relationship marketing is difficult, firms may intend to adopt a relationship marketing approach but lack the capability to effectively engage in these marketing activities. In this situation, the firms may not actually engage in the relationship marketing activities that deliver the benefits of relationship marketing (e.g. customer satisfaction). As such, to determine the extent that project-based firms are using relationship marketing, this thesis also measures relationship marketing activities.

2.6 Relationship Marketing Activities

Relationship marketing activities are the actual behaviours exhibited within organisations that adopt the relationship marketing approach (Palmatier 2008b). As this theory is an organisational approach to business, it is difficult to clearly determine when a firm is actually using relationship marketing, and when it is not. To assist in clarifying what behaviour

constitutes as relationship marketing, a list of twelve relationship marketing activities have been developed from the academic literature. This list is not exhaustive, but indicative of what behaviours align with a relationship marketing approach for project-based firms based on the literature reviewed. In explaining how relationship marketing works, Palmatier (2008b) divides relationship marketing activities into three groups; social, structural, and financial programmes. These three groups of relationship marketing activities are used in both a Business to Business (B2B) context, as illustrated in the Model of Interfirm Relationship Marketing (p. 24); and a (Business to Consumer) B2C context, as illustrated in the Model of Interpersonal Relationship Marketing (Palmatier 2008b, p. 27). Twelve relationship marketing activities for project-based markets are discussed here, and grouped into the three categories of social programmes, structural programmes, and financial programmes.

Social Programmes

Social programmes are the communication activities between buyer and seller, and seek to 'personalize the relationship and convey special status' (Palmatier et al. 2007, p. 212). Social programmes can include social engagements, such as going out for meals or attending sporting events. They can range from ad hoc low-cost interactions to expensive formal engagements. Social programmes result in social bonds that are difficult to duplicate and may lead to repeat purchasing and customer recommendations (Palmatier, Gopalakrishna & Houston 2006).

A review of the literature shows that project-based firms that use relationship marketing are likely to *keep detailed customer records* of customer interactions, such as phone calls,

complaints and enquires to support the communication with their customers. In customising and personalising the relationship, firms may also *keep track of customer preferences*, such as their favourite football team and their personal hobbies. Developments such as *using social media* may also enable firms to communicate and develop relationships with their customers, via platforms such as Facebook and Twitter. Finally, project-based firms that adopt a relationship marketing approach may also try to *maintain an ongoing relationship* with customers, even after the project has been completed, to enhance customer referrals. These four marketing activities are focused on the creation of social bonds with customers, and therefore grouped together as social programmes.

2.6.1 Keeping Detailed Customer Records

Keeping detailed customer records is arguably the first step of putting relationship marketing into action. Grönroos (1996) states that the tactical elements of relationship marketing include making direct contact with customers and maintaining a database containing records of pertinent information regarding customers. These include records of phone calls, complaints, and customer enquiries. Grönroos (1996) continues to point out that in order to pursue a relationship marketing strategy, a database consisting of customer information needs to be established. In other work, Winer (2001) sets out a framework for managing customer relationships and states that to effectively practice relationship marketing, managers need to create and analyse a database of customer interactions. This is the foundation of customer relationship management. Therefore, keeping detailed records of customer interactions is the basic requirement to start relationship marketing activities.

Detailed customer record keeping developed from industrial marketing, where the nature of these B2B relationships is that buyers and sellers have close and ongoing contact, which required detailed knowledge of customers. One of the features of industrial marketing, that was different to consumer marketing, was the maintenance of detailed customer records, such as their purchase accounts (Barnes 1994). The necessity of maintaining customer records derived from the need to manage purchase accounts for customers who purchased on credit. These account records were the precursor to the customer database. As database technology became more widely available, the use of databases started to become a common way of managing customer relationships (Barnes 1994).

However, keeping detailed records does not mean the firm adopts a relationship marketing approach to business. An organisation can keep detailed customer records yet still focus on short-term sales transactions. Some firms, such as insurance companies, have kept detailed records on their customers and potential customers, yet tend to disregard using this as a resource for competitive advantage (Peppard 2000). However, it difficult for a firm to be engaging in relationship marketing without keeping customer records. Therefore, if firms are not keeping detailed records of customer interactions, it is an indication of that they are not using relationship marketing.

2.6.2 Tracking Customer Preferences

Using a system to keep customer preferences enables firms to develop stronger relationships with their customers. This is because knowing customer preferences allows the firm to strengthen customer bonding through perceived similarity. Similarity is a dyadic antecedent in the Relational Mediator Meta-Analytic Framework (Palmatier et al. 2006), which includes

commonality in lifestyle and shared values (Verma, Sharma & Sheth 2016). Early research by Crosby, LA, Evans and Cowles (1990) shows that lifestyle similarity (such as interests and hobbies) influences the ability of sales people to convert opportunities into sales. More recent research on customer relationship building by Elbedweihy et al. (2016) demonstrates that customers' perceptions of similarity to the brand's values influences their attraction to a particular brand. The implication for managers is that by tracking customer preferences, firms can promote the values of the firm that align with their target market, and emphasis favourable differences compared to other competitors of brand similarity.

Research in the hospitality industry shows that service organisations, such as hotels, that adopt a relationship marketing approach have long used customer preferences and requirements to increase customer satisfaction and retention (Rahimi & Kozak 2017). For example, the Ritz-Carlton chain of hotels records customer preferences from conversations with customers throughout the provision of service, and use this knowledge to tailor the services that customers receive (Chen & Popovich 2003). Tracking customer preferences also enables the firm to positively impact the customer's perception of value, and to personalise the service experience. This is because 'value is always uniquely and phenomenologically determined by the beneficiary' (Vargo & Lusch 2008, p. 7). As the service firm gets closer to the customer, they are able to better understand the customer's needs and preferences which influences the customer's perception of value (Ravald & Grönroos 1996). This means that the service experience can be tailored to the customer's preferences through service personalisation, which enhances the customer's evaluation of service, and leads to improved organisational performance (Piccoli, Lui & Grün 2017). Therefore, by combining the ability to respond directly to customer preferences as well as the ability to provide a customised

experience based on those preferences, organisations are better able to establish, maintain, and enhance customer relationships.

Learning and understanding customer preferences also aids the firm in customer knowledge development. Customer knowledge is the 'systematic customer information, and customer knowledge competence, which is based on generating and integrating customer information throughout the organization' (Campbell 2003, p. 376). This customer knowledge can be used to build close cooperative and partnering relationships with key customers (Parvatiyar & Sheth 2001). Customer knowledge competence fosters success in developing new services and improving existing services (Joshi & Sharma 2004). Firms can also use customer knowledge to improve firm performance indirectly by encouraging customers to be actively involved in improving the service delivery and incorporating their feedback and suggestions (Pansari & Kumar 2017). Therefore, if project-based firms use a system to keep track of customer preferences, it is an indication that they are adopting a relationship marketing approach to their business.

2.6.3 Social Media to Develop Customer Relationships

Firms that truly embrace modern relationship marketing will also use social media to develop and strengthen relationships with their customers. A key antecedent of relationships marketing is communication between buyers and sellers (Palmatier et al. 2006). While the use of social media is not a prerequisite for adopting a relationship marketing approach, the active use of social media is indicative of the level of engagement organisations are seeking to develop relationships with their customers through contemporary communication methods.

Social media is ‘a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content’ (Kaplan & Haenlein 2010, p. 61). This media includes applications such as Facebook, Twitter, Instagram, LinkedIn, and Snapchat. These social media outlets constitute excellent opportunities to develop relationships with customers by posting vivid and interactive content, and encouraging online comments through asking questions or posting a call to action (De Vries, Gensler & Leeflang 2012). A study by IBM shows that getting closer to customers is a top priority for CEOs, and top managers are using social media to achieve this goal (Baird & Parasnis 2011).

Research shows that social media has a significant influence on emotions and attachment to brands, which leads to positive organisational outcomes such as word-of-mouth (Hudson, S et al. 2015). Social media applications like Facebook and Twitter are also effective in influencing customer attitudes towards brands, which also impacts purchase intention and electronic word-of-mouth (Leung, XY, Bai & Stahura 2015). The firm generated content posted on social media applications works in synergy with other forms of marketing, such as television and email marketing, and has significant positive effects on customer behaviour (Kumar, A et al. 2016). Research by Hidayanti, Herman and Farida (2018) shows that interactions through social media are able to increase customer engagement, through the co-creation of value, which increases customer loyalty. It makes sense then that companies are increasingly allocating more of their marketing resources to social media to engage customers via social media to further develop the consumer brand relationship (Hudson, S et al. 2016).

2.6.4 Maintaining Ongoing Relationships

Relationship marketing also includes maintaining relationships. This may often require extra cost and effort to determine the right level of after sales service and to continue a customer relationship after service provision (Lele 1997). The benefits of maintaining relationships are often intangible and difficult to measure, such as after sales customer satisfaction and customer referrals through word-of-mouth promotion (Murali, Pugazhendhi & Muralidharan 2016; Rigopoulou et al. 2008). It is often difficult to know which new customers have been referred through word-of-mouth as there may be many other factors that impact on the reach and frequency of word-of-mouth marketing (Groeger & Buttle 2014). This makes it difficult for managers of project-based firms to see the benefit of maintaining ongoing relationships with customers, which is likely to impact the firm's intention and commitment to maintaining customer relationships.

In continuous service organisations, like financial services and telecommunications, there is an incentive for the firm to maintain ongoing relationships with the customer with the goal to maximise the duration of customer relationship and increase revenue (Bolton 1998). Yet project-based firms are different because production often involves long-term business transactions that end after the project has been completed (Gann & Salter 2000). From a relationship marketing perspective, the strategic objective of the project-based firms is to create, maintain and manage customer relationships that enable or support the construction of future demand for projects (Tikkanen, Kujala & Artto 2007). As such, maintaining an ongoing relationship with customers even after a project has completed will be indicative of firms using relationship marketing.

Structural Programmes

Structural programmes offer ‘value-added benefits that are difficult for customers to supply themselves’ and often ‘involve sizeable setup costs and switching costs’ that provide significant customer benefits that are hard to quantify (Palmatier et al. 2007, p. 212). Structural programmes increase productivity and efficiency that bind the buyer and seller; such as customised order processing systems, dedicated personnel, and tailored packaging (Palmatier, Gopalakrishna & Houston 2006). The literature review reveals that these structural programmes are evident in *Customer Relationship Management* (CRM) software, procedures for *measuring and analysing customer satisfaction*, managing a *formal complaint process*, and a using a *quality management system*. These relationship marketing activities involve a substantial investment in systems, procedures, and software. As these four marketing activities relate to increasing productivity and efficiency through systems or programmes, they are grouped together as structural programmes.

2.6.5 Customer Relationship Management Programmes

Using a CRM software programme greatly assists with relationship marketing. CRM is 'a philosophy and a business strategy supported by a system and a technology designed to improve human interaction in a business environment' (Greenberg 2010, p. 413). Popular CRM programmes include Salesforce, SAP, and Oracle; however there are a wide variety of CRM solutions that are suitable for large enterprise through to mid-market solutions and CRM specialty tools (Band 2010). CRM programmes provide structural solutions to keeping detailed customer records and tracking customer preferences. Some project-based firms also use CRM software to manage their communication through social media to improve customer engagement and satisfaction (Swarts, Lehman & Lewis 2016).

While many large organisations use CRM programmes, research shows that small and medium-sized enterprise (SMEs) also use CRM programmes, and are able to reap a wide range of benefits (Harrigan, Ramsey & Ibbotson 2011). CRM programmes are so closely linked to relationship marketing, that many people consider relationship marketing synonymous with CRM and database marketing (Gummerus, von Koskull & Kowalkowski 2017). As such, using a CRM programme is an indication that the organisation is investing in using a relationship marketing approach.

2.6.6 Measuring Customer Satisfaction

The objective of relationship marketing is to improve customer satisfaction so that customers continue to patronise the service provider (Crosby, LA & Stephens 1987). Customer satisfaction is defined as the 'customers' cognitive and affective evaluation based on the personal experience across all service episodes within the relationship' (Storbacka, Strandvik & Grönroos 1994, p. 25). This is determined by the extent the perceived performance of the service meets the customer's initial expectations.

The goal of relationship marketing is to deliver long-term value to customers, and the measure of success is long-term customer satisfaction, which eventually leads to repeat purchases and positive word-of-mouth (Kim, Han & Lee 2001). As such, a firm that embraces relationship marketing will develop systems to measure and analyse customer satisfaction through the use of surveys and customer feedback (Grönroos 1994b).

Customer satisfaction is so important to organisational performance and economic productivity that some countries have developed national measures. For example, the American Customer Satisfaction Index (ACSI) measures customer satisfaction using three dimensions, these are: *customer expectations* that are formed through previous experiences and marketing communications; *perceived quality* as a result of the consumption experience; and *perceived value* which is the perceived level of product quality relative to the price paid for the product (Fornell et al. 1996). The Swiss Index of Customer Satisfaction Barometer (SWICS) also includes three dimensions: overall satisfaction, satisfaction compared to expectations, and satisfaction compared to the ideal product (Bruhn & Grund 2000). The German customer barometer called Deutsche Kundenbarometer (DK) is a more direct approach and uses a five-point scale that measures satisfaction on a single dimension rather than measures developed from causal structural equation models as used by the US and the Swiss measures. Despite the differences in measurement approach, the universal theme across the world is the importance of measuring and analysing customer satisfaction.

The relationship between customer satisfaction and customer loyalty is prevalent across multiple industries, and this relationship strengthens in competitive markets so that the more competitive a market is the more sensitive customer loyalty is to changes in customer satisfaction (Gronholdt, Martensen & Kristensen 2000). Research shows that industries that are dependent on customer satisfaction for repeat purchases have higher levels of customer satisfaction (Fornell 1992). This supports the idea that customer satisfaction is an important measure of firm performance, and compliments other important measures such as return on investment, market share, and profit (Storbacka, Strandvik & Grönroos 1994). For this reason Palmatier (2008b) recommends that firms should measure their relational assets on an ongoing basis, such as by using customer satisfaction surveys. Therefore, given the

importance of customer satisfaction to relationship marketing, project-based firms that are adopting a relationship marketing approach will have a system in place to measure and analyse customer satisfaction.

2.6.7 Formal Complaint Processes

Customer complaints are important events because they represent a critical stage within a customer relationship, and the way these complaints are handled 'embodies the acid test of a firm's customer orientation' (Homburg & Fürst 2005, p. 95). An effective complaint management process can have a substantial impact on the success of service organisations, and customers who feel satisfied with the complaint process are more likely to be loyal and recommend the organisation to others (Ogbeide et al. 2017). Customer complaint handling procedures become more effective when companies develop guidelines and formal procedures to enable rational decision making during the process as these mechanised approaches have a stronger impact on customer satisfaction, especially for service firms in business-to-consumer markets (Homburg & Fürst 2005).

Formal complaint procedures can consume valuable organisational resources, such as time and money. However effective complaint procedures that lead to successful recovery efforts are often substantially more valuable than the costs of service recovery (Knox & Van Oest 2014). This makes using a complaint process an economically viable activity in managing customer relationships. Therefore, using a formal complaint process to manage customer feedback is an indicator of the level that project-based firms are using relationship marketing.

2.6.8 Quality Management System

Customers like to have a consistent and reliable service that meets their expectations. Managers that embrace a relationship marketing approach will adopt a quality management system to ensure the product they deliver meets the standards expected by their customers (Christopher, Payne & Ballantyne 1991). Increasing service quality and customer satisfaction has a positive effect on increasing economic returns (Anderson, Fornell & Lehmann 1994). This is because delivering high quality service leads to satisfied customers, which is considered a prerequisite of customer retention and loyalty (Sureshchandar, Rajendran & Anantharaman 2002). The efforts to deliver high quality service is supported by the Total Quality Management concept and international standards, such as ISO9001 which ensure that a quality system is in place so that a firm has the capability to provide customers with a quality service (Poksinska, Jörn Dahlgaard & Antoni 2002). However, Total Quality Management techniques have not been well received by all Australian firms, particularly those in the construction industry, and the benefits to businesses in terms of continuous improvement and cost savings have not materialised (Jaafari 1996). Therefore, the use of a quality management system is an indicator of the extent to which project-based firms are adopting a relationship marketing approach to their business.

Financial Programmes

In the context of relationship marketing, Palmatier et al. (2007, p. 212) define financial programmes as the 'provision of direct economic benefits in exchange for past or future customer loyalty'. They include special discounts, free products to generate incremental sales, and other incentives that may be converted to cost savings (e.g., free shipping; extended payment terms). These activities include *customer loyalty programmes*. However,

given the limited benefit of these financial activities with direct economic benefits (c.f. Palmatier, Gopalakrishna & Houston 2006), project-based firms are also likely to engage in other financial programmes that help them *analyse customer value*, *prioritise valuable customers* in their decision making, and *terminate unprofitable relationships*. These four marketing activities involve giving customer discounts and managing profitable customer relationships and are therefore grouped together as financial programmes.

2.6.9 Customer Loyalty Programmes

Relationship marketing campaigns often use a loyalty programme to incentivise loyalty in to repeat purchase behaviour. Loyalty programmes incorporate 'a variety of marketing initiatives, including reward cards, gifts, tiered service levels, dedicated support contacts, and other methods that positively influence consumers' attitudes and behaviours toward the brand or firm' (Henderson, CM, Beck & Palmatier 2011, p. 258). They are often used within relationship marketing as key differentiation strategies for firms that are facing increased competition in the marketplace, and seek to enhance customer retention (Beck, Chapman & Palmatier 2015).

Despite the popularity of customer loyalty programmes, the evidence supporting the effectiveness of these programmes is unclear (Henderson, CM, Beck & Palmatier 2011; Shugan 2005). Research by Dowling and Uncles (1997) found that in many cases it can be difficult to generate competitive advantage through loyalty programmes, and the benefits that are obtained are susceptible to being eroded away by competitive forces. Furthermore, as Shugan (2005) states that many so-called loyalty programmes are shams and are antithetical

to the idea of relationship marketing because they generate liabilities, such as future rewards or deferred rebates, rather than real assets such as true customer loyalty.

For loyalty programmes to be effective, they must enhance the overall value proposition to the market (Dowling & Uncles 1997). A true loyalty programme invests in the customer, through factors such as supporting customer learning by providing free up-front training, allowing familiarisation or customisation strategies; with the expectation of greater future revenue (Shugan 2005). The importance of investing in the customer and adding to the overall value proposition explains why some research shows that certain types of loyalty programmes are effective at increasing satisfaction and loyalty, while others are not effective (Zakaria et al. 2014).

When used correctly, customer loyalty programmes can be an effective way of using relationship marketing. Customer loyalty programmes are popular in a wide variety of industries, from pharmacies, supermarkets, clothing and department stores, airlines, and banks; they are among the most popular marketing tools businesses use to manage customer relationships (Stathopoulou & Balabanis 2016). Customer loyalty programmes are adopted by multiple industries because when customers become loyal to a programme their overall identification with the company can also increase which leads to increased customer loyalty (Kang, Alejandro & Groza 2015). As such, a project-based firm using a customer loyalty programme is an indication that the business is using a relationship marketing approach.

2.6.10 Analysing Customer Profitability

Relationship marketing is about building relationships with the most valuable customers and terminating relationships with unprofitable customers. To effectively manage valuable customers, firms need a method of determining which customers are more valuable, and the return they get on the relationships they invest in. Service firms can use instruments such as the Customer Pyramid to an analyse and manage customer profitability by sorting customers into profitability tiers, and then tailoring the service to each customer's profitability level and increasing the firm's chance of success in the market place (Zeithaml, Rust & Lemon 2001). Yet research shows that some companies lack knowledge of how to use customer valuation techniques, and this is a neglected aspect of relationship marketing (Helm, Rolfes & Günter 2006).

Metrics such as customer lifetime value allow service firms to select, maintain and improve relationships with customers. Customer lifetime value is the present value of future cash flows for each customers, and accounts for the time-value-of-money using present value techniques (Pfeifer, Haskins & Conroy 2005). Research shows that customers who are selected on the basis of their lifetime value provide higher profits and enable more effective allocation of marketing resources across customers and channels of communication (Venkatesan & Kumar 2004). Customer lifetime value is gaining increasing importance, as marketing activities aim to maximise customer equity, which is the total customer lifetime value of all the firm's customers (Gupta et al. 2006). Therefore, project-based firms that are actively analysing the profitability of their customers using these techniques are likely to be using a sophisticated and advanced form of relationship marketing.

2.6.11 Prioritising Valuable Customers

Effective relationship marketing requires firms to prioritise their more valuable customers over their less-valuable customers. To decide which individuals and businesses to effectively allocate marketing resources in developing customer relationships, firms must target and prioritise their most valuable customers. Prioritising valuable customers requires managers to realise that not all customers are equal, and the customer is not always right.

The idea that not all customers are equal is evident in the need to analyse customer value, for the premise for this relationship marketing activity is that customers do indeed have differing value (Jain 2005; Pardo et al. 2006). Yet previous research shows that some firms have difficulty with this concept, and prefer to treat all customers as equally valuable to the organisation (Swarts, Lehman & Lewis 2016). Furthermore, the axiom that 'the customer is always right' is misleading and incorrect as firms start to realise that some customers are not are not right at all; and they allocate too many resources to servicing these 'wrong' customers (Woo & Fock 2004, p. 187). This form of customer prioritisation has been used in the higher education sector to group students into right customers, at-risk customers, and wrong customers (Harrison-Walker 2010). Wrong customers are those that require extra servicing and are not profitable for the organisation, or behave in an inappropriate manner (Bitner, Booms & Mohr 1994).

Once firms recognise that not all customers are equal and are not always right, they are then able to prioritise the more valuable customers in their decision making. Customer prioritisation strategies focus the firm's efforts on the most important customers, which can initiate a gratitude-driven process that enhances sales and profit (Wetzel, Hammerschmidt &

Zablah 2014). Prioritised customers are motivated to reciprocate the benefits received due to customer gratitude, which explains why targeted relationship marketing activities result in increased organisational performance through enhancing customer loyalty (Palmatier et al. 2009). Therefore, project-based firms that are implementing relationship marketing are likely to prioritise valuable (most profitable) customers in their decision making.

2.6.12 Terminating Unprofitable Relationships

The earlier definitions of relationship marketing, such as those presented by Berry (1983, p. 25) and Grönroos (1990, p. 138) were to establish, maintain, and enhance relationships with customers. These early definitions and did not include terminating relationships. The idea of customer divestment was added later in the when Grönroos (1997, p. 407) inserted 'when necessary terminating relationships with customers and other stakeholders'. This late addition to relationship marketing is likely due to the fact that while starting relationships with potential valuable customers may come naturally to marketing practitioners, terminating relationships with unprofitable customers is likely to be somewhat more difficult (Helm, Rolfes & Günter 2006). Customer relationships used to be viewed as loving marriages where relationship termination, or customer churn, was to be avoided at all costs (Haenlein 2017).

While customer divestment was once considered an anomaly, some firms have become proficient at terminating relationships with unprofitable customers and this is now becoming a viable marketing strategy for many firms (Mittal, Sarkees & Murshed 2008). The ability to proactively terminate a customer relationship can have significant value, which should be considered when performing customer valuation (Haenlein, Kaplan & Schoder 2006). As

such, terminating relationships with unprofitable customers is an indicator that project-based firms are embracing relationship marketing.

Relationship Marketing Activities Summary

In summary, the twelve relationship marketing activities discussed in this section are an indication of the extent businesses are adopting a relationship marketing approach. The more activities a firm carries out, the more evidence there is that they are adopting a relationship marketing approach. The relationship marketing activities are listed below (Table 3).

Table 3: Relationship Marketing Activities

	Social
01	Keeping Detailed Customer Records
02	Tracking Customer Preferences
03	Using Social Media to Develop Customer Relationships
04	Maintaining Ongoing Relationships
	Structural
05	Using Customer Relationship Management Programmes
06	Measuring Customer Satisfaction
07	Using a Formal Complaint Process
08	Using a Quality Management System
	Financial
09	Using a Customer Loyalty Programme
10	Analysing Customer Profitability
11	Prioritising Valuable Customers
12	Terminating Unprofitable Relationships

Source: Literature review of relationship marketing incorporating Palmatier's (2008b) three groups.

2.7 Conclusion to the Chapter

In conclusion, the context of relationship marketing development has been largely in B2B industries with intangible service products and ongoing customer relationships. As project-based markets typically relate to a single purchase, relationship marketing theory in its traditional sense, which seeks to increase customer retention through a series of repeated transactions, is not entirely suitable for these markets. As such, some of the most basic requisites, axioms, and assumptions of relationship marketing do not hold when applying this theory to project-based markets, specifically the Australian construction industry. Yet the customer-focused outcomes of relationship marketing offer benefits that are needed by construction industry, such as customer satisfaction, word-of-mouth referrals, and cooperation.

In order to determine if project-based firms are using relationship marketing, it is beneficial to use RMO to measure the orientation the firms have towards a relationship marketing approach. To determine the extent firms are actually implementing relationship marketing, twelve relationship marketing activities have been collated from the literature specifically for the context of project-based markets. This will help to determine if the complex nature of the buyer-seller relationships within project-based markets limits the transferability of relationship marketing to this industry context. To better understand the nature of the buyer-seller relationships within project-based markets, the next chapter reviews the literature on complex customer relationships in project-based markets.

Chapter Three

Literature Review:
Complex Customer Relationships

Chapter 3: Complex Customer Relationships

3.1 Introduction to the Chapter

This chapter explores the notion of complex customer relationships within the broad area of relationship marketing, as discussed in Chapter One. In order to establish a context for this, the literature concerning complexity in organisational environments is first discussed, including the problems with measuring and identifying the dimensions of complexity. The following section of this chapter moves on to explore complexity in customer relationships, an area in which traditional relationship marketing theory has largely neglected. To clarify the various components of customer complexity, complex *customer environments* are contrasted with complex *customer relationships*. Once the idea of complex customer relationships has been established, a working definition is introduced.

The next section of this chapter explores in some detail the characteristics that make up complex customer relationships. Based on the literature, nine relationship characteristics that constitute complex customer relationships in project-based markets are identified. These relationship characteristics identify how customer relationships are different in project-based markets compared to typical markets in which relationship marketing theory has been developed (i.e. banking, retailing, hospitality). The final section of this chapter draws together the literature on relationship marketing discussed in Chapter Two with the notion of complexity in customer relationships discussed in this chapter. In doing so, this section provides the conceptual framework within which this study takes place.

3.2 Complexity in Organisational Environments

Customer relational complexity, as a standalone concept, has garnered little attention in the academic literature and there is a strong need to close the research gap with respect to complexity within service contexts (Gummesson, Mele & Polese 2019a). More than three decades ago, Duncan (1972) conducted research on the characteristics of organisational environments and the perceived environmental uncertainty in decision making. Duncan (1972, p. 314) defined the concept of the organisational environment 'as the totality of physical and social factors that are taken directly into consideration in the decision-making behaviour of individuals in the organization'. The idea of the organisational environment was to identify the characteristics of the factors that influence the organisation so that they can be analysed in a holistic way to aid strategic decision making. Using this concept to focus on just the customer component of the external business environment provides insight into the nature of complex customer relationships.

The idea of analysing the complexity of a specific factor within the business environment is not new. Kotha and Orne (1989), for example, researched product lines as a specific factor of the business environment and found that product complexity is characterised by; the number of different products produced, the number of sub-components of the product, and the range of products. Likewise, Singh (1997) researched the impact of technological complexity on organisational performance and found that firms with more technological complexity face a greater risk of failure due to increased organisational costs and competency. In this research, Singh (1997, p. 340) defined the concept of complex technology as 'an applied system whose components have multiple interactions and constitute a non-decomposable whole'. This definition can be applied to complex customer relationships to include multiple relationship characteristics that constitute a non-decomposable whole.

Both technology and product lines are factors of a business environment that have an overall impact on the organisation; they can also be researched on an individual level to determine how they independently influence organisational performance (Kotha & Orne 1989; Singh 1997). Likewise, customer relationships form part of the wider organisational environment and can be researched as a discrete phenomenon. Customers are one of the most important components of the organisational environment (Holm, Kumar & Rohde 2012); and therefore warrant further study about how they contribute to the overall complexity of the business environment.

Complex Customer Environments

Holm, Kumar and Rohde (2012) published research on measuring customer profitability in complex customer environments. Their conceptual paper focused on the many different types of customers with different needs that present a complex customer environment in which some firms operate. They argue that firms need to execute different customer strategies to satisfy different customer needs across different markets. This customer complexity is driven by developments in the customer environment and is difficult for marketing managers to control (Schmitz & Ganesan 2014). To address customer complexity Holm, Kumar and Rohde (2012) present two distinct dimensions: customer behaviour complexity and customer service complexity. These dimensions are explained and summarised in Table 4 below.

Table 4: Dimensions of Customer Complexity

Customer behaviour complexity	Customer service complexity
Relationship Length: retention and loyalty	Variation in customer requirements
Depth: transaction freq. and transaction value	➢ Number of service activities
Breadth: cross-buying behaviour	➢ Time spent with customer

Source: Adapted from Holm, Kumar & Rohde (2012)

Customer behaviour complexity reflects the variation in the length, depth, and breadth across the total number of customer relationships (Holm, Kumar & Rohde 2012). Relationship length is the degree in variation in customer retention, which can also be conceptualised as customer loyalty (Berry 1983). Relationship depth is the transaction frequency and the value of the transactions derived within the customer relationships. Relationship breadth is the cross-buying behaviour across all of the customer relationships an organisation serves. The concept of behavioural complexity appears to be similar to what Palmatier et al. (2006) call 'relationship quality' in their Relational Mediator Meta-Analytic Framework, which is a multi-dimensional construct that captures the strength, closeness and depth of the customer relationship. With regards to customer complexity; the larger the variation in length, depth, and breadth of customer relationships; the larger the degree of complexity in customer relationships (Holm, Kumar & Rohde 2012).

Customer service complexity is the degree of variation in service needs and requirements across customer-facing functions (Holm, Kumar & Rohde 2012). This variation in service need invokes a disparity of activities across the organisation in terms of the number of activities and the time spent on these customer-facing activities. The larger the variation in customer requirements, the more complex and difficult the customer service environment will

be. This is because there are different types of customer needs that are related to the core service of the organisation, yet greater diversity requires more individualised customer service. Moderate levels of perceived service complexity reduce customers' cognitive capacity, which has been found to have a negative impact on customer satisfaction (Mikolon et al. 2015). The challenge for firms is to integrate heterogeneous customers into the process of service provision through adaptive marketing techniques.

Schmitz and Ganesan (2014) also published research regarding customer complexity. They developed a conceptual model which sets out how businesses face increasing complexity from both customers (external) and from within their organisations (internal). They found the key reasons for this complexity were; the diversity of customer expectations, and customer demand for customised solutions with different levels of service. This research compliments the idea (previously discussed) from Holm, Kumar and Rohde (2012) on customer behaviour complexity and customer service complexity, and expands the idea to account for organisational complexity. To test their model, Schmitz and Ganesan (2014) collected data on B2B relationships with a German company in the pharmaceutical industry. The findings show that to effectively manage customer complexity, organisations should use staff with high self-efficacy (an individual's belief in their capacity to achieve goals) because they are more likely to perform better to resolve customer problems. Yet these situations may cause high role conflict because of the difficulty in integrating their strong customer orientation with the internal expectations from within the organisation. As such, assigning self-efficacious salespeople to deal with complex customer situations increases the phycological costs to those staff members, which can lead to burnout and or phycological disorders (Xanthopoulou et al. 2007).

Measuring Environmental Complexity

In addition to researching dimensions that contribute to complexity, researchers have also tried to measure environmental complexity. Cannon and John (2007) for example, provide a synthesis of the literature on measuring environmental complexity. They conclude that complexity is a multidimensional construct that includes the concepts of component preponderance, component heterogeneity, and required knowledge. This conclusion is supported by exploratory and confirmatory factor analysis using data from the U.S. Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics. These concepts are summarised in Table 5 and explained below.

Table 5: Elements of Complexity

Elements of Complexity	**Description**
Component preponderance	The number of environmental factors that are grouped together to form the construct being analysed.
Component heterogeneity	The dissimilarity or diffusion among relationship components.
Required knowledge	The amount of technical or scientific expertise that is required in the provision of service.
Information processing	Volume of information to process, technical nature of information, inefficient information flows.

Source: Adapted from Cannon & John (2007) and Holm, Kumar & Rohde (2012)

Component preponderance is the number of environmental components that are grouped together to form the construct being analysed (Cannon & John 2007). The more components there are within a group; the more complex the construct. Complexity is related to the

existence of a multitude of agents capable of influencing a process (Gummesson, Mele & Polese 2019b). For complex customer relationships, this reflects the number of characteristics that influence the complexity in these customer relationships. Uncertainty grows as the number of components within the relationship that impact on the marketing effectiveness of the organisation increases. The more unique characteristics the firm needs to manage, the more complex the type of customer relationship. Therefore, complexity increases if a firm needs to manage customer relationships that are different to other types of market relationships because of many different relationship characteristics (legal-centric, extended transaction, etc.). For example, if there are nine different characteristics evident in project-based markets, the relationships are arguably more complex than if there are only six are different characteristics.

Component heterogeneity is the dissimilarity or diffusion among relationship components (Cannon & John 2007). This reflects how different the relationship characteristics are from each other. If the relationship characteristics are similar to each other the customer relationships are less complex, while relationship characteristics that are distinctly different it would imply more complexity in the customer relationships. Organisations face increasingly heterogeneous markets due to the larger numbers of potential customers and smaller segments of customers, which makes understanding purchasing behaviour challenging (Arenas-Gaitán, Sanz-Altamira & Ramírez-Correa 2019). Furthermore, while component heterogeneity is useful in understanding environmental complexity, there is also an issue of measuring the dissimilarity in an objective way (c.f. Allenby, Arora & Ginter 1998). Component heterogeneity is different from relationships being externally heterogeneous, where the nature of the relationship is different to other types of customer relationships.

Required knowledge is the amount of technical expertise that is required in the provision of service and interaction with customers (Aldrich 1979). Simple customer relationships would involve few, if any, specialist skills, while complex customer relationships are embedded with specialist and technical knowledge that is required for the provision of service and communication with the customer. As such, complexity is higher in business environments that require sophisticated technical knowledge (Cannon & John 2007). This has been measured using the ratio of engineers or scientists within an organisation to other employees (Sharfman & Dean 1991). For example, SpaceX is a private aerospace manufacturer that provides space transportation. The provision of this service may be considered complex because the production of rockets and resupplying of the International Space Station requires rocket scientists with a great deal of technical expertise (Bjelde, Capozzoli & Shotwell 2008). Therefore, environments with a high number of specialists within the workforce are considered to be more complex.

While the amount of required knowledge may be a suitable measure in some contexts, it does not account for the specialist skills other than engineering and scientific research. A measure of required knowledge would need to account for the degree of specialisation through education, training and creativity; as well as the diversity of these skills within the customer base, which adds to customer task complexity (Zou, Brax & Rajala 2018). In a customer relationship where the customer has the same skill set as the service provider, the degree of required knowledge is not as significant than if there is a mismatch of skills where the customer does not understand what the firm does or why they do it. For example, if a customer pays someone to mow their lawn there is likely to be minimal mismatch of skill set

because the value comes from the labour rather than the specialist knowledge in performing that task, while if a customer pays a plastic surgeon for breast augmentation there is likely to be a much greater disparity of skillset due to the amount of training required to be a qualified surgeon. This lack of knowledge and skill that is required to participate in value creation can negatively impact service quality and cost outcomes (Damali et al. 2016). Furthermore, knowledge is also increased through repetition, so customers who purchase frequently and repetitively from service organisations increase their knowledge of the market process and the products they purchase (Zahay & Griffin 2004). As such, customers who make a once off purchase or only purchase a single product will not have the experience and expertise compared with loyal and regular customers. Novice customers are more likely to make counterproductive decisions and can lack the experience required to make a reasonable assessment of the quality of service which makes them more difficult to work with (Díaz-Méndez & Saren 2019).

Information processing also contributes to the concept of customer complexity. Environments where managers contend with substantial information processing requirements can also be characterised as complex (Holm, Kumar & Rohde 2012). This information processing can be related to factors in the external organisational environment, such as customer demand, availability of materials, and government regulatory control (Duncan 1972). Complexity from information processing can also be related to the internal environment in terms of managing consumer behaviour, customer profitability analysis, and customer lifetime value (Holm, Kumar & Rohde 2012). These information processing requirements vary according to the business environment in which the firm operates, which add to the environmental complexity. Inefficient information flows also add to the

complexity, which makes it more difficult to fulfil customer expectations (Schmitz & Ganesan 2014).

Using the ideas presented above, customer complexity is said to include relationship length, depth, and breadth (Holm, Kumar & Rohde 2012). Measuring customer complexity includes varying customer requirements, the number of required service activities, and the time required to spend with customers (Cannon & John 2007). Complex phenomena also have multiple characteristics that constitute a whole, and these can be measured by the number of relationship characteristics, and the dissimilarity of these characteristics. Furthermore, the technical knowledge required for service provision, and the nature of information processing add to customer complexity.

3.3 Customer Relationship Complexity

As discussed above, analysing complexity within the business environment helps firms to understand customer complexity from the perspective of many different customers in many different markets (Cannon & John 2007; Holm, Kumar & Rohde 2012). However, some customer relationships are complex by nature of the relationship. There are some customer relationships that are similar to each other within the same market, yet distinct when compared to other types of customer relationships in different markets. As such, these relationships share similar characteristics that are internally homogeneous which constitute a non-decomposable whole (Singh 1997), yet they are externally heterogeneous in that they are different to other types of customer relationships.

These types of complex customer relationships are evident in project-based markets, as indicated in Chapter One. These include the construction industry (Barrett & Sexton 2006; Davis 2005; Kärnä 2004; Swarts, Lehman & Lewis 2016), film industry (DeFillippi & Arthur 1998), and some engineering sectors (Keegan & Turner 2002; Razmdoost & Mills 2016; Wang, Xu & Li 2009). In these businesses, the nature of the relationships with their customers is similar to their other customers within the same market. Indeed, in some situations project-based firms may only have one or a few customers with similar requirements; as opposed to many customers with diverse requirements (as previously discussed). It is suggested that these complex customer relationships are more difficult to manage than typical customer relationships because they have certain elements or characteristics that make them more complex (Swarts, Lehman & Lewis 2016). These relationship characteristics are specific to project-based firms; such as extended transactions that span over the lifetime of the project, the legal-centric nature of the relationship which is governed by contract compliance rather than social norms, and the strong emotional attachment that customers often develop throughout the service delivery process.

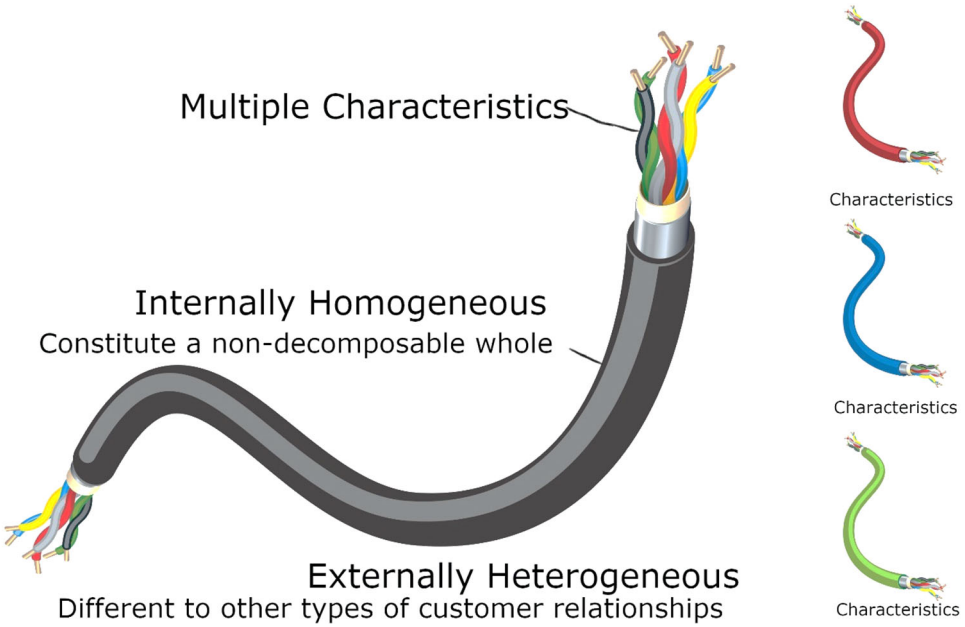
Yet these characteristics that form these relationships are different from each other. Each relationship characteristic (e.g. extended transactions, legal-centric, emotional attachment) can be identified and analysed separately from the other characteristics (component heterogeneity). For example, the relationship characteristic of having extended transactions (Arnould & Price 1993) throughout the duration of the project is distinct from the relationship characteristic of having a legal-centric focus (Edkins & Smyth 2006; Seshadri & Mishra 2004). Moreover, these relationships are different to other types of customer relationships by the fact that these characteristics are not present, or not as prominent, in other customer relationships. For example, a relationship a customer has with a hairdresser or a restaurant

does not have the characteristic of an extended transaction, or the characteristic of having a legal-centric focus.

3.4 Complex Customer Relationships

The idea of complex customer relationships that have multiple characteristics that are internally homogeneous and externally heterogeneous is represented in the illustration below (Figure 2). In this illustration, the complexity of customer relationships is symbolised by a wire which has multiple strands. Each strand represents different relationship characteristics; such as, legal-centric focus (Edkins & Smyth 2006; Seshadri & Mishra 2004), extended transactions (Arnould & Price 1993) and emotional attachment (Mugge, Schoormans & Schifferstein 2008), and so on. The different types of relationship characteristics will be discussed in more detail in the following sections.

Figure 2: Complex Customer Relationships



Source: Literature review presented in this thesis.

Before analysing the different relationship characteristics, it is important to differentiate between environmental complexity versus relationship complexity. Environmental complexity is the situational factors that impact on the operation of the business organisation; it is complex because of the many different types of customers with different needs (Holm, Kumar & Rohde 2012). Complex customer relationships are a distinct marketing phenomenon that impacts the application of relationship marketing; it is complex because of the customer relationships that include many unique characteristics.

In the research reviewed so far, environmental complexity has been studied as a collection of situational factors that impact the successful operations of a business. In environmental complexity, there may be similar types of customer relationships across the many different customer relationships managers need to deal with (c.f. Cannon & John 2007; Duncan 1972; Holm, Kumar & Rohde 2012). In this research, complex customer relationships are examined as a group of specific relationship characteristics that are likely to impact the application of relationship marketing theory within a specific market context. In complex customer relationships, there are different characteristics (extended transitions, legal-centric, emotional attachment, etc.) of similar types of customer relationships within the same market that managers need to deal with.

As previously discussed, it is the many different types of customers that make the business environment complex, and the more different types of relationships the more complex the business environment is (Cannon & John 2007; Holm, Kumar & Rohde 2012). Yet complex customer relationships are complex by the many unique characteristics. The more

characteristics that are identified and the more unique they are, the more complex these relationships are. Moreover, the focus in the customer environment is on customer heterogeneity, with different customers in different markets. The importance is the difference among different customers, called customer heterogeneity (Cannon & John 2007). The focus in complex customer relationships is on customer homogeneity, with similar customers within the same market. The importance for this concept is the similarity of the relationships within this market and how they are different to relationships in other types of markets. The differences are outlined in Table 6 below.

Table 6: Complex Environment vs Complex Relationships

Complex Customer Environments	Complex Customer Relationships
Situational factors that impact on the operation of the business	Specific relationship characteristics that impact on the application of marketing theory
Complex by having many different customer segments with different needs	Complex by having a customer relationship that includes many unique characteristics
Different customers in different markets (customer heterogeneity)	Similar customers in the same market (customer homogeneity)
Similar relationship characteristics across many different customer relationships	Different characteristics within many similar customer relationships
Includes customers as an element of the overall business environment	Distinct phenomenon observable within the context of relationship marketing

Source: Summary of literature regarding complex environments and complex relationships in this thesis.

After reviewing the literature on complex environments and relationship complexity, complex customer relationships are defined as the ongoing interactions between organisations and their customers that exhibit multiple yet intertwined characteristics which differentiate

them from other types of relationships. These ongoing interactions are taking place within a project and do not refer to a series of several projects.

This definition includes the idea from the Latin word *complexus*, which means to encircle, embrace, and to weave (Collins 2018). This is visually demonstrated in Figure 2 above, where the characteristics of complex customer relationships are woven together within a wire, where the strands are internally homogenous to constitute a non-decomposable whole (Singh 1997). This illustrates that each of these characteristics represent a component of the customer relationship. This definition also includes the idea that complex customer relationships are different from other types of relationships, and as such are externally heterogeneous.

3.5 Customer Relationship Characteristics

So far, this chapter has reviewed the academic literature on complexity in organisational environments, customer relationship complexity, and complex customer relationships. This section now explores nine characteristics of complex customer relationships which have been identified in a review of the academic literature. These characteristics are not intended to be an exhaustive list; rather, they have been selected from the literature as relevant to this research in exploring the complexity of the customer relationships within project-based markets. The position taken in this thesis is that each of these relationship characteristics add to the complexity of the customer relationship and are therefore likely to impact the application of relationship marketing theory within project-based markets. The characteristics are presented below (Table 7) and will be discussed in the subsequent sections.

Table 7: Comparing Relationship Characteristics

Typical Customer Relationships	Complex Customer Relationships	Supporting Academic Literature
Social-centric Relationship	Legal-centric Relationship	Seshadri & Mishra 2004; Edkins & Smyth 2006; Roehling & Wright 2004.
Sequence of Transactions	Extended Transactions	Arnould & Price 1993; Macneil 1977; Lai, JH, Yik & Jones 2004.
Rational Thinking	Emotional Attachment	Mugge, Schoormans & Schifferstein 2008; Thomson, MacInnis & Park 2005.
Static Customer Values	Dynamic Customer Values	Flint, Woodruff & Gardial 1997; Sun & Meng 2009; Chang et al. 2014
General Products	Technical Products	Mikolon et al. 2015; Cannon & John 2007; Etgar 2008; Georgiou, Love & Smith 1999.
Focus on Continuity	Focus on Amicability	Palmatier et al. 2006; Fenn, Lowe & Speck 1997; Harmon 2003; Leung, Liu & Ng 2005.
Repeat Purchase Intention	Single Purchase Intention	Yang & Zhu 2006; Jap & Anderson 2007; Palmatier et al. 2006; Clark & Onaka 1983.
Loyalty Purchase	Tendering Process	Dubois & Gadde 2000; Akintoye 2000; Ahmed et al. 2015; Serpell 2004.
Simple Service Recovery	Intricate Service Recovery	Hess, Ganesan & Klein 2003; Tax, Brown and Chandrashekaran 1998.

Source: Nine relationship characteristics developed from the literature review presented in this thesis.

3.5.1 Legal-centric Relationships

A legal-centric relationship is one that focuses on contractual compliance. This contrasts with a typical social-centric relationship that focuses on trust and commitment (Palmatier 2008a). Firms that use legal-centric decision making give primacy to legal considerations, to the extent that other non-legal considerations such as customer loyalty are overlooked (Roehling & Wright 2004). Customer relationships within project-based markets are on a continuum, as illustrated in Figure 3, with legal-centric relationships on one end and social-centric relationships on the other end of the continuum (Edkins & Smyth 2006; Seshadri & Mishra 2004). It is proposed in this thesis that project-based firms will emphasise one approach over

the other; either they will focus more on a contractual relationship or they will focus more on a trust-based relationship.

According to the literature, relationship marketing uses social mechanisms such as trust, commitment, and shared values to manage customer behaviour (Liu, Y, Luo & Liu 2009). These customer behaviours lead to increased organisational performance; such as increased sales and profit (Palmatier et al. 2006). Firms adopting a relationship marketing approach direct their organisational resources towards building valuable relationships with customers in order to get the desired customer behaviour and achieve organisational outcomes. This relational approach is long-term and often non-contractual (Seshadri & Mishra 2004). This is seen through social norms, such as reciprocity which guides behaviour, where customers and firms exchange gratitude in exchanging value (Hoppner, Griffith & White 2015). An organisation using relationship marketing is focused on generating customer loyalty so that the customer wants to continue with the service, and willingly promotes the firm through word-of-mouth referrals. By using this approach, the organisation is social-centric, with the focus on developing loyal customer relationships.

Figure 3: Legal-Social Relationship Continuum

Source: Adapted from Edkins & Smyth (2006) and Seshadri & Mishra (2004).

Although many firms wish to develop trust and commitment, some firms focus on legal mechanisms to manage customer behaviour. These firms rely on legally binding contracts to

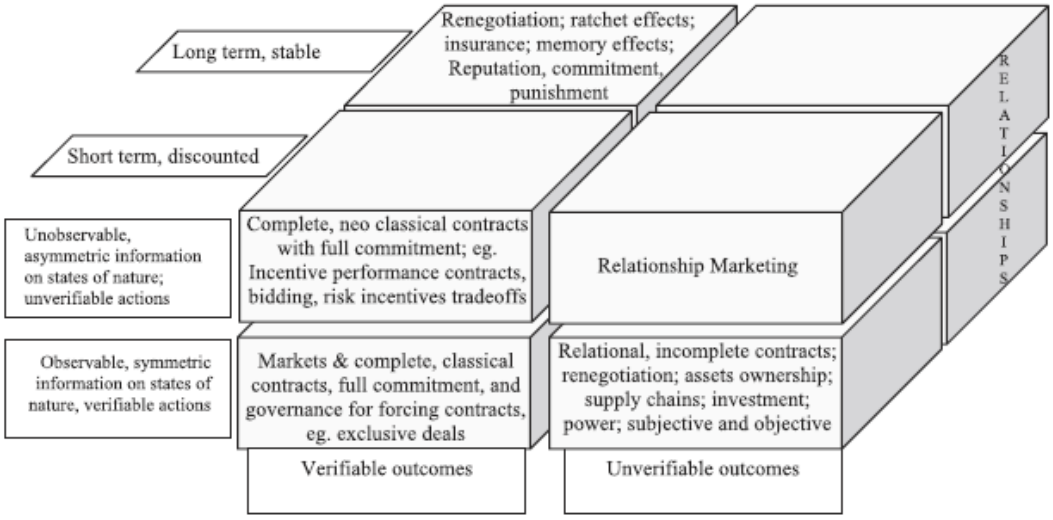
enforce the rights and obligations of both suppliers and their customers. Contracts use a variety of formal and informal instruments to influence behaviour in order to facilitate efficient exchange (Seshadri & Mishra 2004). These instruments typically include implied obligation, threats of legal enforcement, and financial penalties (Zheng, Roehrich & Lewis 2008). Such contracts are routinely practiced in project-based markets and typically have been predicated on a climate of mistrust where the firms develop watertight contracts that protect the firm's interests (Clegg et al. 2002). By using this approach, the organisation is legal-centric, with the focus on contractual compliance and enforcement.

A legal-centric approach is in stark contrast with the nature of a social-centric approach to managing a business. Using legal contracts to manage customer relationships means that customers sometimes find themselves in situations where they are unable to break away from a firm without suffering some sort of penalty (Barnes 2003). For the customer, the reason they stay with the firm is not that they are satisfied and loyal, but because they will face a significant financial and emotional cost of terminating the relationship (Lee, Lee & Feick 2001). The nature of the contract is to increase the switching costs for the customer so that the incentive is to continue the relationship with the service provider, even though they may not want to. The legal-centric approach is one where the firm *compels* the customer stay, while a relationship-centric approach encourages the customer to *want* to stay.

Seshadri and Mishra (2004) argue that contracts and relationships are complementary, and that contracts provide an evolving governance structure for relationships. They developed a framework (see Figure 4 below) to integrate the concepts of markets, contracts, and relationships which uses a three-dimensional model that incorporates verifiable outcomes,

asymmetric information, and durability of relationships. Each composition within this multidimensional framework corresponds to an appropriate marketing approach.

Figure 4: Dynamics of Markets, Contracts, and Relationships



Source: Seshadri & Mishra 2004

Verifiable outcomes are terms within a contract that can be checked by an independent arbitrator and presented to the court (Macho-Stadler & Pérez-Castrillo 2001). Unverifiable outcomes are results that cannot be proven before the court that there has been a breach of contract. When the focus of relationship governance is on compliance with standards and regulations, the builder-customer relationship appears to have verifiable outcomes as an expert witness may be used in litigation or arbitration (Harmon 2003). However, when the focus of relationship governance is on customer satisfaction and loyalty, the outcomes are much harder to verify. From a marketing perspective, the objective is to satisfy the expectations of the customers which are often inadequately encapsulated within the building

plans and specifications. Arguably, this makes it impossible to verify if the customer's original expectations while signing the contract.

Asymmetrical information, also known as information failure, occurs when one party to a market transaction has greater material knowledge than the other party (Bloomenthal 2019). Project-based markets are often high in asymmetrical information as the expertise of managing contractual obligations, navigating multiple layers of industry specific legislation, and the skillset required in the delivery of projects are acquired by project-manager through training and experience (Edum-Fotwe & McCaffer 2000). Furthermore, the information involved in pricing and managing cost overruns within projects is competitive by nature and construction firms are unlikely to disclose this information, or even if incentivised to do so, unlikely to disclose sensitive information. This industry specific knowledge is usually unavailable to customers, which results in information asymmetries.

Relationship durability refers to the length of the customer relationship. There are either long-term and stable relationships with continuously purchased product or short term relationships that use 'spot-market-determined exchanges' with an emphasis on discounts (Seshadri & Mishra 2004, p. 514). Although the contract does continue over a relatively long time, it is a one-off event in which parties to the contract do not renegotiate the terms. Interestingly, it is difficult for firms to balance the complementary nature of contract theory and relationship marketing theory in project-based markets. It appears that firms still struggle to reconcile the extremes of legal-centric relationships and social-centric relationships in a complementary way.

While conceptually contracts and relationships maybe complementary, practice suggests otherwise. Legal contracts are used by many firms in markets where high risk and weak ties between practitioners and their customers necessitate a binding contract with legal-centric relationships. This necessity has led to heavy dependence on contracts and their legal enforcement (Fenn, Lowe & Speck 1997). In situations where disputes are frequent, the firm can shift focus from developing trusting relationships towards the managing the effectiveness of legal contracts to resolve disputes. Not surprisingly, a literature review by Gad and Shane (2014) on trust in the construction industry found that builders do not feel comfortable working with more flexible contracts that rely more on trust (Lau 2001). Therefore, a legal-centric focus adds to the complexity in customer relationships in project-based markets. This is in contrast to the normal relationship-centric approach, with a focus on developing valuable relationships based on trust and commitment.

3.5.2 Extended Transactions

Extended transactions refer to service encounters that include multiple progress payments over an extended period of time. This situation is common in project-based markets, such as construction, engineering, mining, and software development (Dayanand & Padman 1997; Vanhoucke, Demeulemeester & Herroelen 2003). These extended transactions are in contrast to a typical business relationship that has a sequence of transactions, as previously discussed in Chapter Two. They are complex as they include elements of discrete transactions and relational transactions (Macneil 1977). Extended transactions have a single discrete transaction that relates to a single project which is separate from other transactions, yet they also have elements of relational transactions as they have many interactions throughout the project. Nevertheless, these interactions relate to a single transaction rather than a business relationship as a sequence of transactions (Eggert, Kleinaltenkamp & Kashyap 2019). The

extended nature of the service transaction adds to the complexity of customer relationships because customers and staff develop deeper relationships, and the customers actively participate throughout the service process. The extended nature of the relationship also makes it harder to terminate relationships after project completion when customers develop an ongoing desire for unprofitable maintenance work.

Most of the empirical research on the development of relationship marketing theory has been done in the context of typical service relationships, where the service is delivered over a short period of time. To elaborate, previous relationship marketing research has focused on, financial services (37%), retailing (10%), manufacturing (7%) and hotels (5%) (Das 2009). Financial services include banks and financial advisors, where a customer enters the bank or office and leaves within the same day. If the customer gets a mortgage, the product may continue to extend over a period of 30+ years, however the face-to-face service provided by the bank is within a discrete and short time frame. The customer can change banks any day, so the importance for the bank is to create loyal customers that keep wanting to come back for more repeat business (Al-Hawari 2015). In retail, customer transactions usually happen over a narrow time frame, and as such the focus of the marketing effort is on customer retention (Too, Souchon & Thirkell 2001). For manufacturing, relationship marketing is likely to happen in business to business environments, where the focus of relationship marketing is to acquire preferred supplier status (Ulaga & Eggert 2006). In the hotel industry, customers on average stay for three to five nights, and hotel managers focus on getting their guest to select their hotel when they return to the area (Yen & Tang 2015). In each of these examples, the firm is focused on customer retention and the service provided happens over a short period of time. Contrast the length of the service transaction mentioned above with

project-based firms. In the latter, the relationship is an extended transaction that happens over a period of months or years (Rosewall & Shoory 2017).

Customer relationships have been researched before in the context of extended service encounters. Arnould and Price (1993), for example, examined the relationship between customer expectations and satisfaction for multi-day river rafting trips in the Colorado River basin. They state that extended transactions provide more time for the customer to react to the emotional behaviour of employees, which allows the customers and the service providers to develop a deeper relationship. Also, due to the extended nature of the service, it is reasonable to expect active customer participation in the successful delivery of the service experience. Their findings argue for more attention to the temporal moments of a consumption experience when assessing satisfaction, and for more attention of the demarcation between the customer and the service provider within customer relationships. While the research from Arnould and Price (1993) was an extended service experience over several days, it can be used as a starting point to analyse extended transactions over several months.

The underlying assumption of relationship marketing theory is that relationship continuity is an inherent and desired characteristic (Seshadri & Mishra 2004). This assumption seems intuitive as the original objective of relationship marketing was to keep existing loyal customers, rather than focus organisational resources in acquiring new customers (Berry 1983). This idea of customer loyalty continued as relationship marketing theory developed. However, for project-based firms, it may be more profitable to terminate the customer relationship after the project has been completed. This is because if the relationship is continued, the customer may attempt to engage the service provider in unprofitable

maintenance work that the firm is unwilling to perform. Furthermore, customer satisfaction is likely to improve at practical completion, and continuing the relationship beyond the completion of the project could increase the risk of unnecessary maintenance requests while providing little benefit to the organisation (Forsythe 2015).

Maintenance requests can often be low value because they are complicated by unrealistic expectations about who is responsible for the maintenance and the quality of the maintenance (Lai, JH, Yik & Jones 2004). Managing these maintenance requests can be difficult as the building contractor does not wish to damage an amicable relationship they have worked hard to develop. However, it is unprofitable to meet the customer's expectations due to the low value involved in providing maintenance services. This gap in the customers' expectation of building maintenance and the provision of maintenance by building contractors has been found to impact the customer's perception of service quality (Siu, Bridge & Skitmore 2001). If builders are reluctant to provide prompt responses to the maintenance requests or to allocate the resources to required deal with the maintenance requests, it will also have a negative impact the customers' perception of service quality (Lai, AWY & Pang 2010). If customers perceive the quality of the service to be lower than expected, they are less likely to be satisfied and less likely to recommend the firm to other customers. In this situation, it may be more beneficial for the firm to disengage the customer to make it easier for them to select a maintenance contractor rather than request the main contractor to undertake the maintenance work at the organisation's expense.

The discussion above highlights that the extended transactions between the service-provider and the customer make the customer relationship unique when compared to typical customer

relationships. When the service encounter spans months or years throughout a project, the customers actively participate in the service delivery and form stronger relationships with service providers (Arnould & Price 1993). These stronger relationships are harder to terminate when they become unprofitable and are further complicated by ambiguous maintenance requests, which may also impact the perception of service quality and customer satisfaction (Forsythe 2015).

3.5.3 Emotional Attachment

Emotional attachment is the bond a customer develops with a product that elicits strong personal emotions (Mugge, Schoormans & Schifferstein 2008). This is in contrast to typical customer relationships where customers make rational decisions and are not emotionally attached to the products they purchase. It is well established that consumers have varying levels of attachment to the products they buy. For many products, the emotional attachment they have with the goods or services they are purchasing is relatively low (Schifferstein & Zwartkruis-Pelgrim 2008). Although consumers interact with thousands of products throughout their life, they develop a strong emotional attachment to only a few (Thomson, MacInnis & Whan Park 2005). For some products, customers get emotionally attached to the product and feel a strong association or affinity with it. Products to which customers are emotionally attached to are generally considered to be special and significant to the customer (Mugge, Schoormans & Schifferstein 2008).

Attachment can be defined as an emotional bond between a person and a specific object (Thomson, MacInnis & Whan Park 2005, p. 78). Emotional commitment and emotional attachment have been used interchangeably in the literature, and are often viewed as the same

construct (Sui & Baloglu 2003). While they are similar, commitment is used to express the desire of the customer to maintain an ongoing valuable relationship with the supplier (Morgan & Hunt 1994). Emotional attachment is analogous, yet often used to describe the bond between a person and a specific object, such as a product (Thomson, MacInnis & Whan Park 2005). When customers are attached to a product it triggers their emotions, and conversely when they are not attached to products they often do not elicit emotions (Mugge, Schoormans & Schifferstein 2008). These emotions can be positive and induce customer loyalty, or they can be negative and have a detrimental impact on the organisation.

Memories and enjoyment both add to a customer's attachment to a product. Schifferstein and Zwartkruis-Pelgrim (2008) have developed a scale to measure consumer-product attachment. They identify and measure seven possible determinants for product attachment. These are: enjoyment, memories, support of self-identity, life vision, utility, reliability, and market value. Of these, they found that only memories and enjoyment contribute positively to the degree of attachment a customer develops with a product. These determinants of attachment were developed for the sustainability of durable products, yet they can also be used to analyse customer attachment in the provision of services. The determinant of product 'enjoyment' comes from designs that evoke sensory and aesthetic pleasure, incorporate surprise, and supports the accumulation of memories (Schifferstein & Zwartkruis-Pelgrim 2008).

Project affinity also adds to emotional attachment. Research by Dainty et al. (2005) on emotional attachment found that the degree of project affinity influences the commitment of those involved in the project. In projects where participants believed that their contribution was significant because of their connection with the project's goals (e.g. building cancer

research facilities), workers were more emotionally connected to the project. This increased emotional attachment, which has a positive influence on project success (Dainty et al. 2005). This idea of workers showing emotional attachment can also be applied to customers. Workers were more emotionally committed when they aligned with the project's goals. The customers, together with the builders, define the project's goals. The goals of the project (design, size, cost, quality) are imitated by the customer to suit their specific needs, and as such are closely connected to them on a personal level. As customers get more involved with the purchase and the closer customers are to the project goals, the more likely they are to increase their emotional attachment to the project.

Building a home results in a personalised product, which increases the emotional attachment to the product (Mugge, Schoormans & Schifferstein 2009). Many customers of residential construction projects invest a lot of time and effort in designing their dream home together with their builder or architect. As such, their emotional attachment to the product increases as they personalise their product to express themselves and fulfil their housing requirements (Schifferstein & Zwartkruis-Pelgrim 2008). Therefore, the high value and personalisation of project-based products are likely to generate emotional attachment to the product and add to the complexity of the customer relationship.

3.5.4 Dynamic Customer Values

Customer's values are constantly changing. Customers exist in a dynamic environment that includes political, economic, social, technological change that influences their needs and wants. As such, their needs continually change, which leads to dynamic changes in customer values (Flint, Woodruff & Gardial 1997). What customers perceive as important, appealing,

and beneficial changes over time, and these changes in customer value impact what customers want from their service provider. What they originally wanted from the service provider is likely to change over time, which makes the customer want to change their mind about what they want from the service provider throughout the provision of service.

Seeing and responding to this change in perception of value requires an understanding of the change itself, including how customers view their environment (Flint, Woodruff & Gardial 1997). Customer value is something that is perceived by the customer rather than being objectively determined by the service provider (Woodruff 1997). The idea that value is phenomenologically determined by the customer is one of the foundational premises of Service-Dominant Logic (Vargo & Lusch 2008, p. 7). Moreover, changes in customer value can also be triggered by specific events. These could be changes in the customer's environment that they perceive to be relevant to the project goals, which results in some form of change in personal values, desired values, or value judgements (Flint, Woodruff & Gardial 1997, p. 165). For example, a change in interest rates may reduce the amount of expendable capital available and trigger the need for a tighter budget or reducing the project cost. Changes in social trends may also trigger an awareness that their previously selected kitchen colours are no longer fashionable and increase the desire to reselect different colours.

Business can attempt to react to these changing values and respond to the new customer needs as they arise (Flint, Woodruff & Gardial 1997). However, the contractual nature of project-based markets is more inclined to agree on what is valued, and then lock it in for the duration of the contract. There is good reason for this, as changing project specifications after signing the contract incurs extra costs and difficulties; such as time delays, quality defects,

cost overruns, and other negative impacts (Sun & Meng 2009). Yet, while the legal-centric nature of building benefits from minimal change, the customer still experiences these dynamic changes in value. As the project develops, customers are more likely to want to change more things. As such, discord between the customer's changing value and the legally agreed upon product creates complexities in the builder-customer relationship, which makes it unique to other buyer-seller relationships.

In most purchase situations, the transaction happens momentarily. This means that in the normal consumer decision process, the selection of the product happens, the consumer makes the purchase, and the post-purchase evaluation happens immediately after purchase or within a few days (Chang et al. 2014; Cohen, JB & Goldberg 1970). Post-purchase product evaluations differ from their initial pre-purchase evaluations, and there are important differences between post-purchase thoughts versus pre-purchase satisfaction (Gardial et al. 1994). Customers use different evaluation processes for pre-purchase and post-purchase and use different evaluation criteria. This means that the way customers evaluate products changes, as well as what they use to evaluate the product.

The changing evaluation is an important consideration in project-based markets as the business relationship continues well-after the initial product selection. As such, the post-purchase evaluation happens during the purchase stage. This is due to the continuing purchase commitment through repeated progress payments as contractually required (Seshadri & Mishra 2004; Vanhoucke, Demeulemeester & Herroelen 2003). This dynamic change in value is likely to have a large impact on the nature of the customer relationship because the customer evaluates the purchase of a contract, they are committed to for an

extended period of serval months or even years. With normal transactions, any dissonance will impact the customer's satisfaction and their intention to continue their patronage with the service provider (Kuo, Wu & Deng 2009). Yet with project-based contracts, the customer changes their perception of value while still being committed within the contact and are unable to discontinue their patronage. Therefore, the dynamic changes in customer value, and the difficulty of post-purchase evaluation in the consumer decision process add to the complexity of customer relationships in project-based markets.

3.5.5 Technical Product

The fifth proposed characteristic of complex customer relationships is technical nature of the product within project-based markets. Technical product refers to the unique and specialised skillset required in the provision of service which makes it difficult for customers to understand the product. This is in contrast to typical customer relationships that are built on purchasing standard products that are simple or common. The technical and specialised nature of the product is likely to contribute to the complex nature of customer relationships. Prior research shows that when customers perceive products to be more complex, their 'cognitive capacity is drastically reduced', which decreases customer satisfaction with the service encounter and loyalty toward the company (Mikolon et al. 2015). Furthermore, complexity is higher in environments that require sophisticated scientific or technical knowledge (Cannon & John 2007).

Some products are technical because they bring together a collection of many different professionals, subcontractors and suppliers. These products are complex because of the skills needed to coordinate development and production of the product (Novak & Eppinger 2001)

The people involved with the production have specialised skillsets in their chosen profession or trade ; for example, engineers and architects spend years training for their profession at higher education institutions. Likewise, there are approximately 14 unique trades within the Australian construction industry (NSWDI 2018). These trades has their own training requirements, regulatory requirements, and worksite culture (McLeod 2011). Moreover, the licensed builder who oversees the construction project is responsible for complying with National Construction Codes, Australian Standards, Local Government Acts, and planning regulations. These technical elements of the product combine to create a specialised and unique product that is difficult for everyday customers to fully comprehend and understand.

While residential construction is a specialised and technical product, there are many other products that involve technical and specialised expertise in their production. However, construction is different in that it often requires the customers to be involved throughout the production process (Sheth & Parvatiyar 1995a). For example, the manufacture of a mobile phone is very technical and involves specialised skillsets, yet customers purchase the phone after it has been produced with no input throughout the manufacturing process. Compare this with an architectural building, where the customer is generally involved throughout the stages of the project and are usually required to participate in its production (Etgar 2008). The customer is involved from the initial design concept, right through to construction and final handover. This level of customer engagement adds to the uniqueness of the customer relationship.

Buildings also vary in the way they are produced, and the quality of the product that is being produced. The Australian construction industry employs a large component (9.4%) of the

national workforce, which makes it the third largest industry sector by employment (Vandenbroek 2018). Most construction projects have large numbers of individual people engaged in the production of buildings, which leads to variances in the processes of construction and product quality. The individualised and unique nature of projects also means that many different people engaged in construction build things in a variety of different ways. This variance in production process adds to the customer's difficulty in understanding the product, and how well they can determine the quality of the product they are paying for. Furthermore, the Australian construction industry is also plagued by defective work and poor quality. Research by Mills, Love and Williams (2009) indicates that one in eight houses (12.5%) has reported defects which costs 4% of the construction contract value. Australian research shows that only 29% of houses built in Victoria were without defect (Georgiou, Love & Smith 1999). This product variance creates confusion regarding the product and how it can be evaluated by customers.

The technical nature of the product within the construction industry makes it difficult to manage customer relationships. Habitus theory (Bourdieu 1977) shows that the specialised nature of construction places the actors within the industry within an architectural habitus, which clearly distinguishes them from customers who are not trained within the field of architecture (Siva & London 2012). A habitus is a system of embodied dispositions that individuals use to structure and organise the way they perceive and react to the world around them (Lizardo 2004). The habitus helps individuals to know what is culturally appropriate in different settings or groups. These dispositions are usually shared by people with a similar background, as the habitus is acquired through imitation (*mimesis*) of other people within their social group (Bourdieu 1977). As such, a group habitus develops where the assembly of collective individuals (builders and architects) adapt and adjust to the world and the way they

make sense of it (Bourdieu 1990). This means that the professionals involved in providing technical services like construction, develop an architectural habitus through working together (Siva & London 2012). This architectural habitus makes them distinct from other actors, such as customers, who are also involved in the construction project.

This difference due to architectural habitus can create issues in managing the customer relationship. As the customer joins in co-production with architects and builders, a mismatch appears between the customer and the builder's habitus. The customer's habitus encounters conditions different to those in which the habitus was originally constructed and familiar with (Siva & London 2012). As such, the disposition the customer has formed to structure their perception of the social world around them encounters unfamiliar territory. Their system for knowing what is culturally and socially appropriate experiences a shock, which impacts their ability behave in a way that is expected of them, or to manage their own expectations within a new social environment. This mismatch between the builder and customer's habituses results in architectural habitus shock, where the customer experiences disorientation as they are exposed to a new and unfamiliar environment on the construction project (Siva & London 2009). This architectural habitus shock has been found to generate stress and confusion, which complicates communication within construction projects and expectations of behaviour (Norouzi et al. 2015). This stress, confusion, and lack of communication will arguably create challenges for the managing the customer relationship.

3.5.6 Focus on Amicability

A focus on amicability occurs when organisations emphasise the short-term objective of maintaining an amicable relationship with the customer. This is in contrast with typical

customer relationships where organisations take a long-term approach of building customer loyalty with the intention of continuing the relationship for the benefits of repeat purchasing behaviour (Palmatier et al. 2006). Firms that focus on amicability try to maintain customer satisfaction so that customers are friendly, cordial, and easy to work with throughout on ongoing relationship. The focus on maintaining an amicable relationship is likely to happen when the service provider seeks to prioritise the short-term goal of managing conflict throughout the duration of a project, rather than focusing on the long-term goal of continuing relationships with the intention of procuring more projects in the future.

As discussed in Chapter Two, the Relational Mediator Meta-Analytic Framework has cooperation as a dyadic outcome of relationship marketing (Palmatier et al. 2006). Cooperation captures the level of coordinated and complementary actions between buyers and sellers. This cooperation promotes value creation beyond the point of which each party could achieve on their own. By working together within a productive relationship, each participant benefits more than they would without the relationship. In their research, Palmatier et al. (2006) found that the strongest influence of the relational mediators, such as trust and commitment, is on cooperation. The importance of cooperation within customer relationships has been supported in other research. Scheer, Miao and Palmatier (2015) suggest from their study on interorganisational relationships (B2B) that making investments into increasing relationship quality is worthwhile, because such investments return greater dyadic cooperation and business performance. However, more recent research on the Relational Mediator Meta-Analytic Framework by Verma, Sharma and Sheth (2016) did not identify those outcomes in their work. They found that within an online retail (B2C) context, there is insufficient research to link relationship marketing efforts to cooperation and business performance. This discrepancy in the results from interorganisational and retail contexts

highlight the importance of the relationship context, and how this impacts the nature of the customer relationships in managing conflict.

Conflict is a dyadic antecedent in relationship marketing (Palmatier et al. 2006). Within customer relationships, conflict entails the overall level of disagreement between exchange partners. Conflict arises whenever there is an incompatibility of interest, which if managed successfully may be able to prevent costly disputes between both parties (Fenn, Lowe & Speck 1997). As conflict increases the customer is less likely to trust and show commitment toward the organisation. These mediating variables of trust and commitment then have negative impacts on customer-focused outcomes, cooperation, and organisational performance. Unresolved conflict is the factor with the most significant impact on customer relationship quality (Palmatier 2008b). Conflict between firms and their customers can quickly wreak havoc and destroy trust and commitment within customer relationships. To minimise conflict organisational culture must emphasise the importance of conflict resolution and institute formal conflict resolution systems.

While unresolved conflict can be detrimental for business performance, functional conflict can be beneficial. In his book on relationship marketing, Palmatier (2008b) suggests that functional conflict refers to the amicable resolution of disagreements, and represents a positive outcome that increases trust within relationships. This ability to withstand and resolve conflict is an indicator of relationship strength. Research within the construction industry shows moderate levels of conflict can actually improve satisfaction (Leung, M-y, Liu & Ng 2005). This satisfaction continues up until a point where satisfaction diminishes as conflict escalates. To yield optimal levels of customer satisfaction, conflicts should be

stimulated in the goal setting stage to address discrepancies of values between parties and resolved throughout the project to avoid disputes (Leung, M-y, Liu & Ng 2005). As such, the evidence of conflict within customer relationships is not necessarily a negative indicator for organisational performance. Rather, in project-based markets the presence of conflict may be indicative of the complexity of the relationship and the need for organisations to adjust their marketing strategies from a traditional focus on repeat purchase intention, to a focus of conflict management and dispute resolution.

When conflict is not managed well, it can often lead to disputes. This is clearly evident within the construction industry. Research shows that construction projects are increasingly complex which often result in complex disputes (Harmon 2003). These disputes can derail a project and lead to costly litigation or arbitration. In Australia, building disputes incur an estimated direct cost between $560 million and $840 million per year, with an added estimated indirect up-front legal costs between $500million and $750 million (CRCCI 2009). The global average construction dispute is estimated at US$43.4 million and on average lasts for more than 14 months (Arcadis 2018). International research on dispute resolution in China shows that most disputes arise from contractual matters, such as payments, variations, time extensions, and scope definitions (Chan, EH & Suen 2005). While disputes are seen to be inevitable, managing these disputes so to maintain an amicable relationship through alternative dispute resolution to avoid formal proceedings is welcomed by the construction industry (Lu, Li & Wang 2017).

The short-term objective of amicability may not initially appear to be at odds with the long-term objective of repeat purchases, however there are some subtle differences. A service

provider who is obliged to complete a project with a customer is locked in to the relationship, and the focus is on complying with the contract conditions and completing the project (Seshadri & Mishra 2004). Neither the service provider nor the customer can terminate the relationship, so they must focus on making the relationship as amicable as possible. A focus on amicability avoids conflict so as to not damage a relationship that cannot be terminated. In contrast, a manager who has single and repeated transactions with their customers omits a focus on generating customer loyalty so that the customer will continue to choose their organisation into the future (Dick & Basu 1994). The firm and the customer can end the relationship at any time, so the firm must focus on making the relationship as loyal as possible. A loyalty focus embraces conflict to terminate unprofitable relationships and to resolve conflict to strengthen valuable relationships.

3.5.7 Repeat Purchase Intention

Repeat purchase intention is the degree to which customers aim or plan to buy from the selling firm again in the near future. Relationships with single purchase intention are in contrast to typical customer relationships that have an ongoing desire for service. In these situations customer loyalty is very important as it leads to repeat purchase intentions (Palmatier et al. 2006). As such, service firms manage relationships to encourage customers to return and continue purchasing. However, within project-based markets the objective of customer loyalty may be less appropriate because they customers may not have the need to repeat the purchase of their product.

One product that often lacks repeat purchase intention is residential construction. In Australia, most people (57%) have not moved to a new house within the last five years (ABS

2010). Even less will build a new home; and repurchase rates will be less again. Some customers may engage in building housing investments and therefore be suitable for ongoing relationships, however most residential customers do not build or renovate their homes regularly. As such, the housing industry is not dependent on repeat business, and customer satisfaction does not have a strong influence on re-entry into the market (Yang & Zhu 2006). Rather than repeat purchase intention, the purchases of residential construction are more influenced by life-change, such as a change of job, new family member, retirement, etc. (Yang & Zhu 2006).

Life-changes can be analysed using the family life cycle which is used to map out the stages of family consumption. As families move through different life stages, their consumption behaviours change and marketers can use these stages to predict spending patterns (Arndt 1979). A change in household composition compels the household to reassess the suitability of its current residence (McCarthy 1976). Consequently, the family life cycle has been used to analyse housing requirements and consumer's priorities in housing consumption (Clark, WA & Onaka 1983). Research has found that the accumulation of wealth throughout the FLC to be coincidental with housing choice, because as young families with children need more space as their family structure changes, the factor that allows them to act in the market is their increased wealth and access to capital (Li et al. 2016). As such, the changing family structure creates the need for new housing and the family's ability to access the money to pay for it generates market demand.

As well as changes to family needs over time, customer relationships are also dynamic over time. Fournier (1998) points out that relationships are not isolated transactions, but a series of

repeated exchanges between buyers and sellers. Researchers categorise these ongoing relationships into manageable stages; initiation, growth, maintenance, deterioration, and dissolution (Dwyer, Schurr & Oh 1987; Jap & Anderson 2007). Project-based markets are likely to have similar lifecycle stages; however, they operate over a shorter time frame due to the nature of the singular yet extended transactions. While normal customer relationships may be examined as a series of repeated transactions over a number of years (Jap & Anderson 2007), the customer relationships in residential construction are likely to go through all five stages within less than one year for a single transaction (Rosewall & Shoory 2017). This is vastly different to normal customer relationships in service industries as it is difficult to calculate customer loyalty which is more likely to be indicated by word-of-mouth recommendations than by repeat purchasing behaviour (Yang & Zhu 2006).

Measuring and analysing customer loyalty benefits organisations by allowing them to use methods such as the Customer Pyramid to identify and retain valuable customers while terminating less valuable relationships (Zeithaml, Rust & Lemon 2001). In some situations, relationship continuity may be less appropriate to the firm, and organisation value can be increased by terminating relationships with some customers (Thakur & Workman 2016). Ending business relationships is an important managerial capability with strategic importance, as unprofitable relationships engage organisational resources in a suboptimal manner (Zaefarian et al. 2017).

The issue of ending unprofitable relationships links in with recent calls by marketing academics to focus more on initiation and termination of relationships when developing relationship marketing theory (Gummerus, von Koskull & Kowalkowski 2017). The fact that

some products are not continuing in nature and have a lack of ongoing desire for the service, reinforces the idea that continual relationships with some customers may not be valuable. Therefore, the lack of repeat purchase intention by customers within the customer relationship is likely to add to the complexity of managing these customer relationships.

3.5.8 Tendering Process

The tendering process refers to the method where buyers invite organisations to submit prices for the provision of goods or services. Customer relationships built around the tendering process are different from typical customer relationships that use standard market mechanisms for selecting products. This is because the tendering process puts distance between the buyer and seller (Cova, Mazet & Salle 1994); and emphasises a low-cost approach to business where the primary concern is the price of the product (Dubois & Gadde 2000). Rather than choosing a service provider based on the relationship with the provider, the selection is made on which provider can tender the lowest price.

The tendering process is often used in project-based markets. The conventional estimating techniques for construction projects is to use a bill of quantities which itemises all the materials and labour constants required (Akintoye 2000). The tendering stage gives the service provider a limited timeframe to understand the product, and then commit the organisation to producing this unique product, often with little interaction with the customer. Throughout this competitive process buyers and sellers are kept at arm's length (Cova, Mazet & Salle 1994). As such, the tendering process limits the ability of project-based firms to develop relationships with potential customers, and to use these relationships as a competitive advantage to win more business.

The tendering process is designed to reward the firm with the lowest price. This can be a problem because when the product is technical and unique, the level of uncertainty increases and the ability to accurately price the product becomes more difficult (Serpell 2004). The uncertainty of project-specific information, the suitability of historical cost data, and the estimator's level of experience impact the accuracy of the tender estimate (Lim et al. 2016). Research shows that the main factors that are relevant to the accuracy of estimating include; complexity of the project, the scale and scope of the project, and site constraints (Akintoye 2000). These factors are evident in many building and construction projects.

Moreover, there is a general view in the construction industry that the accuracy of the estimate submitted for tender is crucial to all parties involved with the project (Akintoye 2000). Yet as the true cost of the project is not known until completion of the project, adverse selection is a major concern, where the winner of the contract has underestimated the project's true cost (Ahmed et al. 2015). This means that the firm that wins the contract, is the firm that has made the biggest error in underestimating the cost of the project. As a result, it is common within the construction industry for the final project costs to greatly exceed the submitted tender price.

The tendering process has a focus on price, which encourages businesses to cut costs as much as possible. While competitive tender can result in some efficiencies, the market reality is that all economic activity involves a trade-off between cost and quality (Hoxley 2000). Research shows that the competitive tendering within the construction industry inhibits both efficiency and innovation, because the benefits that arise from using networks are hampered by client-

contractor relationships that are generally at arms-length from each other, rather than being close and developing a close partnership (Dubois & Gadde 2000). Furthermore, the aggressive competition of contracting firms during tendering adversity affects project quality as bidders try to use inferior materials and bad technical practices (Jha & Iyer 2006). As businesses focus on using cheaper subcontractors and materials, the quality of the inputs going in the finished project diminishes which causes issues downstream during construction (Love & Li 2000; Shokri-Ghasabeh & Chileshe 2016). As firms are incentivised to lower their overheads to be able to win work, and as overheads are reduced, the amount of resources allocated for managing customer relationships are also reduced (Dulaimi & Shan 2002). This effectively means that the functional quality of the physical product is reduced, and the quality of customer service is also reduced. This combination is likely to result in dissatisfied customers leading to conflict and costly disputes. Therefore, continuing to focus on cutting costs due to the tendering process invariably leads to less innovation, low quality products, dissatisfied customers, and more disputes.

Organisations that refuse to focus on cheap products but instead choose to deliver quality products lack the incentive to tender for projects. This is because they are more likely to win less work through competitive tender. The costs of providing a quality functional product are initially more expensive, and resources required to effectively manage customer relationships add to the organisational overheads which increases their tender price. Research shows that most of the top building contractors in the UK do not consider tendering to be the most efficient way of gaining work, and the majority (88%) actively seek to eliminate tendering through partnerships with customers (Akintoye, McIntosh & Fitzgerald 2000). In effect, when using open competitive tender, it sends a signal to the market that the buyer is interested in a low-cost product with little value on quality. As a result, high-quality firms are

disincentivised to submit tenders, and instead seek other forms of procuring more work and instead focus their efforts in developing relationships directly with potential customers or other businesses that will recommend customers to use their services (Akintoye, McIntosh & Fitzgerald 2000). The time involved in submitting tenders that are unsuccessful drain organisational resources that could be better spent in cultivating valuable relationships with important customers.

As more high-quality firms are disincentivised to submit tenders, a cheap-culture is further cultivated. The competitive tender scene becomes a breeding ground of low-quality firms that are motivated to cut costs and undermine each other's prices. The market pressure to deliver cheaper projects results in a low margin industry, with some economists reporting a net margin before income tax of only 2.7% averaged across 756 construction firms (Simonson 2006). In order to win more work, firms are incentivised to place more value on providing a cheap product, rather than providing quality customer service to win more work through customer loyalty. The poor-quality work and the disputes that arise from them can often lead firms to a cycle of failure (Schlesinger & Heskett 1994).

Despite the construction industry being one of the most vital to a country's economy, it has a high record of business failure (Hafiz et al. 2015). Reports show that the Australian construction industry has a disproportionately high number of insolvencies (CFMEU 2015). The Australian Securities and Investments Commission (ASIC 2014) report that the construction industry accounts for 23% of all business lodging for external administration, which is the second highest of all industry categories other than other services category. As these construction firms exit the market, new and inexperienced firms take their place. Data

from the Australian Bureau of Statistics (2015) reveals that during the 2010-2011 financial years, there were 54,042 new entrants into the market (Shokri-Ghasabeh & Chileshe 2016). Of those firms that remain in the market, arms-length transactions together with the heavy reliance on traditional tendering make it difficult for those in the industry to capitalise on previous project experiences (Dubois & Gadde 2000). The cycle of mediocracy continues, and as a result, the industry is fraught with costly disputes and low rates of innovation.

The market conditions from tendering creates a barrier to developing valuable relationships throughout the construction industry (Cova, Mazet & Salle 1994). The inaccuracy of tender estimates can lead to adverse selection, the focus on price leads to low-quality products, the lack of incentive to tender for high-quality builders leads to a cheap culture, and high rates of industry failure with costly disputes (Ahmed et al. 2015; Hafiz et al. 2015). Therefore, the tendering process adds to the complexity of the customer relationship, which is likely to impact the transferability of relationship marketing theory to project-based markets.

3.5.9 Intricate Service Recovery

Service recovery is the way a firm responds to service failure in order to resolve customer complaints and maintain customer satisfaction. Intricate service recovery is characteristic of multiple service failures involving many actors during the provision of service in which the customer is highly involved during the co-production of the product (Edvardsson, Tronvoll & Höykinpuro 2011). This contrasts with typical customer relationships that have simple service recovery, where there is usually only a single service failure which can be resolved by few actors and limited involvement of the customer.

Service failure is the 'service performance that falls below a customer's expectations' (Hess Jr, Ganesan & Klein 2003, p. 129). No matter how hard firms try to eliminate errors, it is impossible to prevent every error and to satisfy every customer. When service failure occurs, customers experience disconfirmation and often react strongly to the negative experience (Smith, Bolton & Wagner 1999). Customers use different coping mechanisms as they confront the stress of service failure, and when the service failure is severe, they feel vulnerable and are less likely to use rational thinking to resolve the issues (Sengupta, Balaji & Krishnan 2015). Sometimes customers can attempt to cope with service failure by pretending that the failure never happened and attempt to close themselves off from the source of the stress (Duhachek 2005). This can be an issue, as research shows that suppressed feelings lead to depression and anxiety (Amstadter 2008). Customers become dissatisfied with the service firm, which negatively impacts their repeat purchase intention and word-of-mouth referrals (Spreng, Harrell & Mackoy 1995). Therefore, it is important for firms to identify service failure and attempt to recover from the incident.

Service recovery is the actions taken by an organisation in response to a service failure (Grönroos 1988). Effective service recovery can turn angry and dissatisfied customers into profitable loyal customers (Hart, Heskett & Sasser 1990). Yet service recovery is not an easy task, as research by Tax, Brown and Chandrashekaran (1998) show that the majority of complaining customers were not happy with the complaint handling experiences. When service recovery is successful, it restores the trust that was breached due to the service failure, and reassures the customer that the service firm is dependable and can be relied upon to deliver on its promises (Sirdeshmukh, Singh & Sabol 2002). Once trust is restored and the customer feels that the firm is committed to the relationship, the fundamentals for relationship marketing are re-established (Morgan & Hunt 1994) and both parties can benefit

from the reconciliation (Basso & Pizzutti 2016). Furthermore, the way customers are managed after service delivery can have a larger influence on overall customer satisfaction and future purchase intention than the original service outcome (Spreng, Harrell & Mackoy 1995).

To assist with effective service recovery, some researchers and managers have devised service recovery programmes (Harun et al. 2018; Spreng, Harrell & Mackoy 1995). These service recovery programmes include a step-by-step process that includes: failure identification; failure attribution; recovery strategy selection; recovery implementation; and tracking, monitoring and evaluating effectiveness (Hoffman, Kelley & Rotalsky 2016). The recovery programme assists managers in recovery activities, such as; apologies, explanations, substitutions, or compensation can save the relationship (Berry & Parasuraman 2004; Edvardsson, Tronvoll & Höykinpuro 2011). Research shows that customer satisfaction for service firms is tied to the resolution of service failure, and the word-of-mouth regarding service recovery can be a major positive or negative force on the firm's reputation (Spreng, Harrell & Mackoy 1995). An effective service recovery programme allows managers to identify common failure situations, which can be used to minimise the occurrence of service failure, improve service recovery efforts, and increase customer satisfaction. This customer satisfaction leads to repeat purchase intention and positive word-of-mouth (Spreng, Harrell & Mackoy 1995).

It is important for service firms to employ competent staff and train them in effective service recovery. Early research on service recovery shows the importance of employee training, as service failure due to the fact that employee behaviour is especially difficult to effectively

recover from (Hoffman, Kelley & Rotalsky 1995). Effective service recovery also requires managers to empower their employees, this involves encouraging frontline employees to deviate from the rules when necessary, in order to rectify the issues at hand and recover from the service failure (Hart, Heskett & Sasser 1990). To enhance the effectiveness of service recovery, firms might benefit from training their frontline employees or altering their service scripts to incorporate co-created service recoveries (Hazée, Van Vaerenbergh & Armirotto 2017). In situations where firms use subcontractors, the lack of customer training and orgnaisational commitment can lead to unfavourble and avoidable outcomes (Dhar 2015), even to the point where the recommended course of action to improve service quality is to limit subcontractor involvement with the customer (Forsythe 2015).

Using customer participation in the co-creation of value has the potential to strengthen customer relationships when service delivery is successful (Chan, KW, Yim & Lam 2010). However, co-creation of value also increases the potential risks during service failure. Research shows that services high on co-creation generate a greater disconfirmation with the expected service outcome than services low on co-creation (Heidenreich et al. 2015). One way to manage this is to involve the customers in the recovery process, as co-participation throughout the recovery process not only regulates the negative failure outcomes, but is also more likely to provide the customer with a successful recovery experience (Sengupta, Balaji & Krishnan 2015). For maximum effectiveness, service firms should try to mirror the level of customer participation in service recovery with the level of co-creation during service delivery (Heidenreich et al. 2015). This is because co-creating a service recovery helps customers believe they are receiving the most favourable solution to the service failure, which in turn has a positive impact on satisfaction with the service recovery (Hazée, Van Vaerenbergh & Armirotto 2017).

Service recovery can be so successful, that the customer is more satisfied after the recovery than they were before the service failure. In the marketing literature, this phenomenon is referred to as the Service Recovery Paradox (McCollough 1995). A meta-analysis on the service recovery paradox confirms that the paradox has a positive influence on customer satisfaction, but not necessarily on repeat purchase intentions (De Matos, Henrique & Alberto Vargas Rossi 2007). As such, firms should try as much as possible to provide services correctly the first time, rather than permitting failures and addressing them to increase customer satisfaction. This supports the research by Forbes, Kelley and Hoffman (2005) that found customers are not likely to repurchase once a failure has been experienced, even if they are satisfied with the recovery effort. Further research shows that the service recovery paradox is most likely to occur if the if service failure is not perceived to be severe, and there has been no prior service failure with the firm (Magnini et al. 2007).

When a customer experiences a service failure, the firm attempts to recover which can lead to positive results. However, sometimes the provision of service goes wrong a second time, and this is called double service recovery. If a customer experiences an unsuccessful service recovery attempt at this point, they suffer a 'double deviation' (Bitner, Booms & Tetreault 1990, p. 80). When two unsatisfactory recoveries occur the double deviation effect is strong; customers may tolerate one unsatisfactory recovery but they are not likely to tolerate two (Maxham & Netemeyer 2002a). Research shows that a double deviation intensifies the trust violation generated by the initial service failure, and that service recovery from double deviations requires fundamentally different strategies than recovery from single deviations (Basso & Pizzutti 2016). If a customer can be recovered after a second service failure it

represents a double service recovery, however if the customer is not recovered after the second failure within the same service experience, it constitutes a triple deviation (Edvardsson, Tronvoll & Höykinpuro 2011).

In the case of double deviations and triple deviations, the number of incidents happens throughout the duration of the service provision. When the service is extended through the provision of project-based products, the likelihood of multiple service failures increases, which arguably amplifies the intensity and complexity of service recovery. Furthermore, high customer involvement in service delivery increases the contact points between customers and producers, which increases service complexity and the probability of service failures (Heidenreich et al. 2015; Parasuraman 2006). As such, project-based firms are likely to face a heightened risk of repeated deviations and the associated risks to customer satisfaction and loyalty.

Finally, service recovery is closely linked to justice theory (Rawls 1971) and equity theory (Adams 1963). Research across multiple disciplines has found that the concept of justice is valuable in explaining people's reactions to conflict, and justice offers a comprehensive framework for understanding the complaint handling process (Morgan & Hunt 1994). Studies on service recovery indicate that through effective execution of service recovery strategies, it is possible for service firms to create a strong sense of justice in a consumer's mind, which can be leveraged through customer loyalty to enhance positive word-of-mouth (Harun et al. 2018). In using justice theory, it is beneficial for service organisations to understand the three dimensions of justice: distributive, procedural, and interactional (Blodgett, Hill & Tax 1997). Essentially, the three different dimensions of justice relate to monetary rewards and the

fairness of the outcome (distributive), a service organisation's policies and how fair the process is for all the parties involved (procedural), and an employee's manner and responsiveness to ensure that everyone is treated with dignity and respect (interactional), each of which can enhance a service organisation's relationship with its customers (Ha & Jang 2009; Maxham & Netemeyer 2002b).

Maxham and Netemeyer (2002b) use a bank and a large home a building firm to model the effects perceived justice on customer satisfaction during service recovery. They tested three types of justice; procedural justice (the fairness of the process), interactional justice (the degree they are treated with dignity and respect), and distributive justice (the fairness of the outcome). The results from the study show that procedural justice and interactional justice have stronger effects on overall firm satisfaction than distributive justice for the bank, but not for the home building company. They suggest that this difference could be due to the dissimilarity between pure service failure (banking) and more product orientated failure (home). They conclude that in industries where repurchases are less frequent and recommendations are vital, it may prove beneficial for managers to offer proportionately more distributive justice (Maxham & Netemeyer 2002b, p. 248). Therefore, customers perceive service recovery differently within different market contexts, and the high risk of repeated service failure for project-based firms adds to the complexity of the customer relationship.

3.6 Conceptual Framework

In summary, extant relationship marketing theory neglects market contexts that are atypical, such as project-based markets. Relationship marketing theory has mainly been developed

within a B2B context with a focus on customer retention. When transferring traditional relationship marketing theory to project-based markets, the complex nature of these relationships within these markets are inclined to impact the application of this theory. The literature review in this chapter has identified a number of characteristics that add to the complexity of the customer relationship and are therefore likely to impact the application of relationship marketing theory within project-based markets.

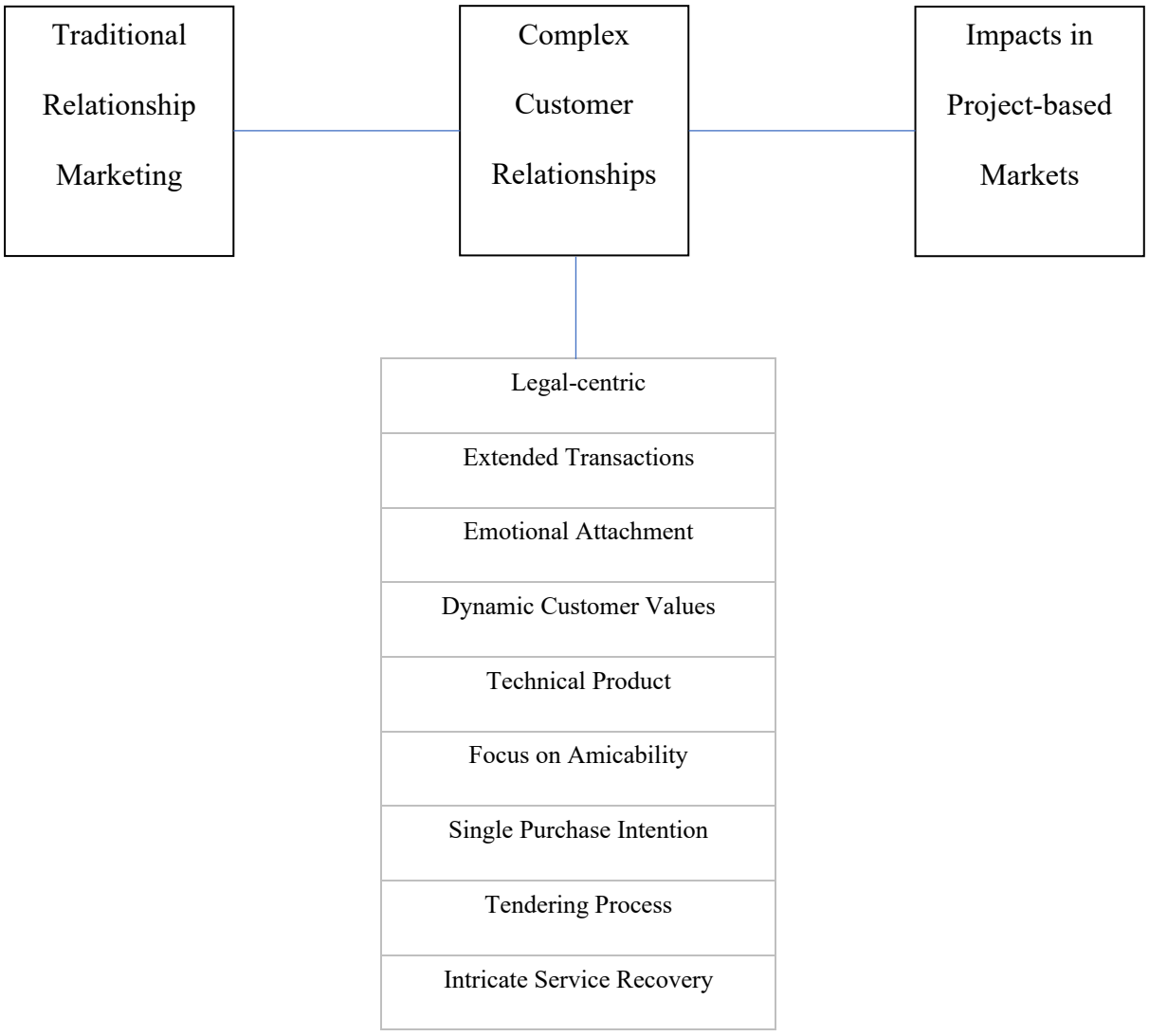
In addressing the research question, a conceptual model has been developed (refer to Figure 5 below). For clarity, the research questions presented in the Introduction chapter are repeated below and aligned with the conceptual model.

RQ: To what extent does relationship marketing theory transfer to an industry with complex customer relationships?
SRQ1: To what extent are Australian construction firms using relationship marketing?
SRQ2: What is the relationship marketing orientation of Australian construction firms?
SRQ3: What relationship characteristics are evident in complex customer relationships?

The conceptual model below has three parts. First, the relationship marketing activities developed to address SRQ1 and the relationship marketing orientation scale used to answer SRQ2 form the current understanding of traditional relationship marketing, as presented in the first rectangle of the conceptual model. Second, the relationship characteristics developed from the literature review to address SRQ3 are presented in the second rectangle and expanded upon with each of the characteristics listed below. Third, this thesis proposes that complex customer relationships impact the extent relationship marketing transfers to project-

based markets, as displayed in the last rectangle. Together, these three components form the conceptual framework used in this thesis.

Figure 5: Conceptual Framework



Source: Literature review presented in this thesis.

This thesis argues that traditional relationship marketing theory is impacted by complex customer relationships when applying this theory to project-based markets. Currently, it is unknown to what extent relationship marketing theory transfers to project-based markets that are characterised by complex customer relationships. It is also unknown to what extent

Australian construction firms are using relationship marketing, or their orientation toward using relationship marketing. Finally, it is unclear if all nine relationship characteristics are evident in complex customer relationships. This research aims to contribute to marketing knowledge by exploring the extent that relationship marketing theory transfers to an industry context with complex customer relationships.

3.7 Conclusion to the Chapter

Overall, this chapter outlined how complexity in marketing can start to be addressed by examining complex customer relationships. This literature review started by analysing customers as a factor within the business environment. Complex customer environments have two dimensions; customer behaviour complexity, which reflects the variation in the length, depth, and breadth across the total number of customer relationships; and customer service complexity which is the degree of variation in service needs and requirements across the customer-facing function. Measuring complex customer environments includes; component preponderance, component heterogeneity, required technical knowledge, and information processing.

Some customer relationships are complex by nature of the characteristics that make up the relationship. These complex customer relationships have multiple characteristics that are internally homogeneous and externally heterogeneous, which make them distinct from other types of customer relationships. This is evident in project-based markets, such as the construction industry. These complex customer relationships have specific relationship characteristics that impact on the application of marketing theory. They are complex by having a relationship that includes many unique characteristics, they have similar customers

within the same market, yet different characteristics within many similar customer relationships, and it is a distinct phenomenon observable within the context of relationship marketing. Therefore, complex customer relationships are defined as the ongoing interactions within projects between organisations and their customers that exhibit multiple yet intertwined characteristics which differentiate them from other types of relationships.

Nine relationship characteristics stemming from the literature were explored in this chapter. First, legal-centric relationships with a focus on contractual compliance rather than trust. Second, extended transactions that include multiple progress payments over an extended period of time. Third, high emotional attachment to the product. Fourth, dynamic customer values, where the customer's perception of what is important changes over time. Fifth, technical product which includes the need for unique and specialised skills to produce service. Six, a focus on amicability where service providers emphasise maintaining a friendly and harmonious relationship with the customer. Seven, repeat purchase intentions that a low compared to normal customer relationships. Eight, tendering processes that emphasise a distant and a low-cost approach to procuring products. Nine, service recovery that is made difficult by repeated deviation, rather than standard service recovery to survive failure. Each of these characteristics adds to the complexity of the customer relationship and are likely to impact the application of relationship marketing theory. The next chapter will explain the research method used in this thesis.

Chapter Four

Research Method

Chapter 4: Research Method

4.1 Introduction to the Chapter

This chapter explains the research method used for this thesis. It first outlines the philosophy that underpins this research and provides a discussion of postpositivism, and how this stance reconciles the philosophical opposition between qualitative and quantitative approaches to research. Next, this chapter explains the research design, including the suitability of using a sequential explanatory design to address the research question, and the two sequential phases of research. The chapter then outlines the data collection and data analysis for both the quantitative phase and the qualitative phase of the research. The chapter finishes with addressing the issues of validity and reliability, as well as the limitations of this research.

Before conducting the field research, the academic literature was reviewed to integrate the findings and perspectives of previous empirical findings related to the research topic (Snyder 2019). The purpose was to organise the relevant findings in the literature into a series of related topics, and summarise the literature by pointing out central issues (Creswell 2014). The approach used determine the literature to be reviewed was to use keywords and phrases to search the University's database of academic journals and Google Scholar to identify relevant journal articles related to the research topic, and to thematically organise the literature into key concepts in order to integrate and analyse the findings (Creswell 2014). Scholarly journals were used as the primary source of knowledge in the literature review, as they include peer-reviewed articles of previous research and conceptual development (Neuman 2011). This literature was used to establish a rationale for the research questions and the conceptual framework used in this thesis (Creswell 2014). The literature review has

been presented in Chapter Two and Chapter Three; and has been used to inform the research method explained in this chapter.

4.2 Research Philosophy

All scientific research rests on the assumptions and principles of ontology and epistemology (Neuman 2013). Understanding the fundamentals of these philosophical positions assists researchers to become aware of their assumptions, and how these assumptions influence their choice of research method. Many researchers inherit their philosophy of science from their teachers and mentors, yet this philosophy is an individual choice and researchers should be aware of the implications of this choice through reflective and responsible scientific enquiry (Van de Ven 2007). When reflecting on this choice, there are three major philosophical positions to research within the social sciences: positivist social science (including postpositivist), interpretive social science, and critical social science (Neuman 2011). Each of these approaches are based on the philosophical assumptions of the nature of reality and the purpose of social science (Creswell 2014). These philosophical positions will be influenced by the researcher's ontological and epistemological perspectives.

Ontology is the study of *being* or what *exists* and what it is to exist, and aims to answer what constitutes reality and how can one understand existence (Lawson 2004). Two basic positions are formed through ontology: realism and nominalism. Realists believe that a real world exists independent of human interpretation, and that scientific theories are approximations of universal truth (Cacioppo, Semin & Berntson 2004). Nominalists assume that there is no such thing as a universal entity and that one's experience of reality is dependent on a subjective

cultural viewpoint (Rodriguez-Pereyra 2015). Realism and nominalism are positioned on a continuum with varying viewpoints in between.

Epistemology, on the other hand, is the study of knowledge and justified belief, and is concerned with the conditions and sources of knowledge, and what makes one's beliefs in knowledge justified (Steup 2005). Epistemology is important for academic research because research is the production of knowledge, and researchers must ensure that the knowledge that they produce is both valid and reliable (Neuman 2011). In ensuring the validity and reliability of the knowledge they produce, the ontological position of the researcher will impact on their epistemological position (Crotty 1998). A realist will gather empirical evidence to explain causal relationships between real objects and produce objective knowledge. A nominalist holds the view that gathering empirical evidence will not lead to knowledge about reality because interpretations and the subjective views will greatly influence the observations and it is impossible to separate an objective reality from one's perceptions (Neuman 2011).

Given that this research seeks to address a complex phenomenon that influences the extent to which relationship marketing theory transfers to practice within a specific context, a research philosophy is required that can bring together both theory and practice. After considering the different research philosophies and their relationship to the research question posed at the end of Chapter One, this research adopts a postpositivist research philosophy. A description and rationale for selecting a postpositivist research philosophy is now provided below.

Postpositivism

Postpositivism is neither anti-positivist or a continuation of positivism, but rather seeks to improve the positivist philosophy by incorporating falsification (Popper 1972) as well as recognising the benefits of qualitative research methods (Adam 2014). Postpositivism is grounded in the idea that universal reality exists but cannot be fully explained, and that objectivity is ideal but requires a community of critical interpreters (Fischer 1998). Postpositivism assumes that the social world is patterned and that causal relationships can be discovered and tested using reliable research methods (Hesse-Biber, SN & Leavy 2011). As such, this research philosophy favours a realist ontological and epistemological position, which is also known as realist post-positivism (Fox 2008).

One of the main characteristics of postpositivism is the blending of both theory and practice in a way that incorporates the context of the research (Ryan 2006). This feature makes postpositivism ideally suited to research about applying marketing theory in practice within the context of project-based markets. Postpositivism also reconciles the philosophical opposition between qualitative and quantitative research by maintaining the precision, logic, and evidence of positivist science; while embracing subjective, authentic, and rich forms of data such as interviews and questionnaires (Clark, AM 1998). Although mixing research philosophies has in the past been considered ‘taboo’, postpositivism provides a research philosophy that offers a more encompassing way to examine real-world problems by bringing together theory and practice (Henderson, KA 2011, p. 342). Therefore, adopting a postpositivist research philosophy provides an integrative approach to research that is suitable to answer the research question.

4.3 Research Design

As stated in Chapter One, this research endeavours to answer the question; to what extent does relationship marketing theory transfer to an industry with complex customer relationships? In order to address this question, the following specific research questions were developed to guide the research process:

SRQ1: To what extent are Australian construction firms using relationship marketing?

SRQ2: What is the relationship marketing orientation of Australian construction firms?

SRQ3: What relationship characteristics are evident in complex customer relationships?

As these research questions involve determining the extent of relationship marketing orientation and marketing activities within an industry, a quantitative method is considered appropriate for this research. The strength of quantitative research is the use of statistics to extrapolate the findings beyond the sample, and the data analysis can be used to objectively test theories and relationships (Creswell 2014). A quantitative approach is beneficial because this method uses surveys with a sample of participants in which the findings can be applied to a wider industry context to answer the research question. However, the weakness of quantitative research is the potential loss in richness of meaning through using numbers to measure social constructs (Babbie 2016). A quantitative approach reduces and restructures a complex problem to a limited number of variables (Feilzer 2010). As this research also aims to explain how the complex nature of customer relationships impact the application of relationship marketing, a purely quantitative approach is insufficient because the complexity of customer relationships means that survey questions may not accurately capture the intricacy of the social phenomenon being researched. Simplistic survey responses to complex

issues raises questions about the appropriate interpretation of quantitative research (Feilzer 2010). Therefore, a qualitative method is also appropriate for this research.

Qualitative research uses thematic analysis to construct social reality and cultural meaning, has a focus on interactive processes, and authenticity is a key factor (Neuman 2011). The strength of qualitative research is exploring and understanding the meaning of complex social constructs (Creswell 2014). The weakness of qualitative research is that the 'richness of meaning' is partly a function of ambiguity in which the meaning of the constructs differ between individuals (Babbie 2016, p. 27) and the knowledge generated cannot be generalised beyond the specific context for which the data were collected (Neuman 2011). It is clear then that this research can benefit from both quantitative methods and qualitative methods. Therefore, a mixed method approach is used for this research, which utilises the strengths of both quantitative and qualitative research.

Mixed Methods Research

Mixed-methods research is an intellectual and practical synthesis using both qualitative methods and quantitative methods (Johnson, RB, Onwuegbuzie & Turner 2007). However, a multi-method study is not necessarily a mixed method study (Ågerfalk 2013). With mixed methods, the combination of both quantitative and qualitative approaches provide a more complete understanding of the research problem than using either approach alone (Creswell 2014). Babbie (2016) argues that the two approaches have more similarities than differences, and that few social researchers would openly deny the logic of combining the strengths of both methods for mixed methods research.

Tashakkori and Teddlie (2010, p. 14) list three main reasons for using mixed methods research which are pertinent to this thesis. First, mixed methods research can answer some research questions that single methods research cannot. Historically, quantitative research has been deductive with the purpose of theory verification, while qualitative research has been an inductive exploration of the topic with a focus on generating theory (Punch 2014). An advantage of using mixed methods research is that it enables both the deductive verification of theory and the inductive generation of theory within the same study (Tashakkori & Teddlie 2010). This enables mixed methods research projects to test for existing relationships, as well as ask questions as to how the relationships actually work and use this knowledge to refine existing theories or develop new alternate theories.

Second, quantitative studies give a greater breadth of knowledge while qualitative studies give a greater depth of knowledge, which when combined together provide the ability to make stronger inferences (Tashakkori & Teddlie 2010). This is important because a key consideration for making inferences based on knowledge generated through academic research is reliability and validity (Neuman 2011). As all reliability and validation techniques have limitations, Zeller (1996) states that inferences cannot be made solely on the basis of statistical procedures, but rather should combine both quantitative and qualitative methods and valid inference occurs when there is no conflict between the knowledge generated from both approaches. Therefore, using the strengths of both qualitative and quantitative methods and combining them together in a purposeful way can improve both the reliability and validity of the research (Punch 2014).

Third, mixed methods allow for a greater diversity of divergent views (Tashakkori & Teddlie 2010). A mixed methods approach is often used for triangulation to obtain complementary quantitative and qualitative findings (Punch 2014). Hanson and Grimmer (2007) state the most common application of triangulation is the deliberate use of multiple measures, such as surveys and interviews, to gain a more comprehensive picture of a phenomenon. Research findings can converge in mixed methods research which adds to the reliability of the findings (Erzberger & Prein 1997). Yet it cannot be assumed that both the quantitative phase and the qualitative phase will produce convergent results. The results may differ between surveys and interviews, and this may appear inappropriate. However, these divergent findings can be valuable by leading to a re-examination of the axioms and the conceptual framework used in the study, which can be missed in single method studies (Tashakkori & Teddlie 2010). This is beneficial in this thesis because it examines and challenges the axioms of relationship marketing theory and its conceptual alignment within project-based markets. Furthermore, with a mixed methods approach, different views can challenge underlying assumptions which bring new issues to light, which has the potential to generate new knowledge.

Explanatory Sequential Design

Creswell (2014) lists six major mixed method research designs, which include both sequential and concurrent research designs. Sequential research designs use one research method first to collect data, which is then followed by the other research method to collect data. Concurrent research designs use both research methods simultaneously. Of the six major mixed method research designs, the explanatory sequential design is the most straightforward, and its main strength is that the steps fall into separate stages (Creswell et al. 2003).

In explanatory sequential research design, quantitative data is collected and analysed in the first phase and then qualitative data is collected to explain the results further with more detail in the second phase (Creswell 2014). The two methods are then integrated during the interpretation phase of the project to answer the research questions (Kroll & Neri 2009). This research design is appropriate to answer the research question examined in this thesis because the quantitative phase is suitable to measure the extent to which construction firms are using relationship marketing, and once the quantitative data have been analysed the findings can inform the data collection and analysis of the qualitative phase of the study to further explain the concepts used in the quantitative phase (Fetters, Curry & Creswell 2013). The quantitative data analysed in the first phase can also assist the qualitative component by identifying a representative sample of members, or suitable outlying cases for further investigation (Johnson, RB, Onwuegbuzie & Turner 2007). This aids in the selection and recruitment of suitable interview participants that provide valuable data for analysis. Moreover, by using an explanatory sequential design, the quantitative data is used to identify concepts and questions that need further exploration in the qualitative phase, and to select suitable interview participants (Harrison & Reilly 2011).

Explanatory sequential research often gives preference to the quantitative method (Hesse-Biber, S 2010). However, an important variation of this research design is where the qualitative data collection and analysis is given the priority (Creswell et al. 2003, p. 178). This is particularly useful when there is a need to further explore quantitative findings (Ivankova, Creswell & Stick 2006). Explanatory sequential research can also give equal priority to both quantitative and qualitative phases. The drawback of an equal priority

research design is the length of time involved in data collection and data analysis for two separate phases of research (Creswell et al. 2003). Given the aims of this research are to develop new concepts, explore complex social phenomena and then explain them, it is suitable to give equal preference to both quantitative and qualitative methods.

Phases of Research

As per the explanatory sequential design discussed above, this research comprises of two sequential phases. *Phase One* uses a quantitative survey to collect data on relationship marketing activities, and relationship marketing orientation. This is to determine the extent that relationship marketing is used within project-based markets. The survey is also used to collect data on the extent to which the sample is representative of a project-based market with complex customer relationships. *Phase Two* uses qualitative interviews to further explain the survey results, and to further explore the application relationship marketing and the nature of complex customer relationships within project-based markets. The findings from both Phase One and Phase Two are then integrated in a discussion of the findings to answer the research questions.

4.4 Selection of Participants

As stated in the introduction chapter, the aim of this research is to determine the extent relationship marketing theory transfers to an industry context with complex customer relationships. The literature review on complex customer relationships identified nine relationship characteristics that are apparent within project-based markets. Examples of project-based markets include; the engineering industry (Wang, Xu & Li 2009), the construction industry (Gann & Salter 2000; Razmdoost & Mills 2016), and the film industry

(Bielby & Bielby 1999). While there are numerous industries and sectors that use project-based markets, the construction industry is particularly reliant on projects to conduct business and co-create value (Edum-Fotwe & McCaffer 2000; Liu, A, Fellows & Chan 2014; Razmdoost & Mills 2016). Therefore, the Australian construction industry was used in the selection of participants for this research.

The construction industry is one of 18 industry divisions as set out by the Australian Bureau of Statistics (ABS) in the Australian and New Zealand Industry Classification (ANZSIC) framework (ABS 2006). This industry includes the sub-divisions of Building Construction, Heavy and Civil Engineering Construction, and Construction Services. Building Construction sub-division is further divided into both residential building construction and non-residential building construction. This industry classification aligns with National Construction Code (NCC) which is divided into Volume One which primally deals with commercial and industrial buildings, and Volume Two which primarily deals with residential buildings (ABCB 2020). The residential sector is the industry group that contains housing and other buildings such as; apartments, duplexes, flats, and semi-detached housing construction. The housing sector is the industry subgroup of the residential sector that only contains house and garage construction, as well as onsite installation of prefabricated housing. As mentioned in the Introduction Chapter, the scope of this research is the Australian construction industry, yet this research will primarily focus on the residential business-to-consumer relationship. As such, data will be collected from a variety of construction firms, yet when possible, preference will be given to residential firms. Further details are further provided in Appendix I, by explaining the search parameters used for each database of licensed building contractors.

In order to qualify the Australian construction industry as a suitable context for this research, it is useful to briefly map the industry attributes against the nine characteristics of complex customer relationships set out in the literature review. First, the construction industry is *legal-centric* as it has a strong focus on contractual compliance; Australian builders are required to have formal contracts for their projects (HIA 2019), and builders tend to preference legal contracts over trusting relationships (Gad & Shane 2014). Second, the construction industry has *extended transactions*, where the customer relationship is one extended transaction that happens over a period of months or years (Rosewall & Shoory 2017). Third, the construction industry has customers with *emotional attachment* to the product as constructing a home results in a personalised product, which increases the emotional commitment to the product (Mugge, Schoormans & Schifferstein 2009). Fourth, the construction industry experiences *dynamic customer values*, with variations to the project evident in all types of construction projects (Keane, Sertyesilisik & Ross 2010). Fifth, the construction industry also produces *technical products* that require a unique and specialised skillset, which creates architectural habitus shock (Siva & London 2012). Sixth, the construction industry has a *focus on amicability*, whereby builders try to avoid conflict during the project to prevent damaging the customer relationship rather than embracing functional conflict (Leung, M-y, Liu & Ng 2005). Seventh, the construction industry has *single purchase intention*, especially in the housing sector, which is less dependent on repeat business (Yang & Zhu 2006). Eighth, the construction industry also relies on the tendering process, with a strong emphasis on cost estimating to procure new business (Akintoye 2000). Ninth, the construction industry experiences *intricate service recovery,* as this industry is known for multiple service failures throughout the project (Maxham & Netemeyer 2002b). Therefore, the available evidence shows that the construction industry is a suitable context for researching complex customer relationships.

To verify the extent to which the Australian construction industry has complex customer relationships, the survey instrument includes questions regarding each of the nine relationship characteristics. By asking participants about the nature of the relationships with their customers, the survey data can be used to confirm if the phenomenon of complex customer relationships does exist, and whether this phenomenon is evident within the Australian construction industry. These survey questions were developed from the literature review on complex customer relationships. The survey instrument is discussed in the data collection section of this chapter, and the findings from these questions are discussed in the Phase One Survey Findings chapter (Chapter Five).

Unit of Analysis

In social research, the unit of analysis is the major entity or object that is being measured and analysed and is determined by the research question (Hulland, Baumgartner & Smith 2018). As the research question for this thesis is about relationship marketing in project-based markets, the unit of analysis is at the firm-level. Measuring the firm's relationship marketing orientation and their marketing activities provides data on the extent relationship marketing is being adopted within project-based markets. Measuring the firm's perspective on the customer relationships within the firm also provides data on what relationship characteristics are evident within project-based markets. In addition to describing and justifying the object of measurement, it is also important to determine the most appropriate rater, or key informant, for the unit of measurement (Hulland, Baumgartner & Smith 2018).

Given that the firm is the unit of analysis in this research, care needs to be taken to ensure that appropriate informants are selected that are knowledgeable about the constructs being measured (Hulland, Baumgartner & Smith 2018). As this research focuses on Australian construction firms in project-based markets, the key informants were selected from the population of licenced builders, registered builders, or accredited builders. The title of the official position varies by Australian State as set out in the respective legislation, however each builder in this position is personally responsible for the legal compliance with state legislation and national construction codes (DIIS 2019).

There may be situations within construction firms where the responsibility of managing customer relationships is delegated to a marketing manager. In this situation, Neuman (2013) recommends that researchers deal with gatekeepers who have formal or informal authority to control access to a site. As builders may not be the individuals who directly engage with the customers or make the marketing decisions, they will be contacted as gatekeepers and invited to participate or to nominate individuals who would be suitable for an invitation to participate in the research. As such, the appropriate informants for analysing Australian construction firms are the licensed builders or the marketing managers within these construction firms.

Sampling Strategy

The primary objective of quantitative sampling is to collect data from a representative collection of respondents from a given population, whilst the objective of qualitative sampling is to get a collection of data from respondents that illuminates their social realities (Neuman 2013). As this research uses a mixed methods approach, it employed a combination of both, with probability sampling used for the quantitative phase, and purposive sampling

used for qualitative phase (Tashakkori & Teddlie 2010). First, a quantitative sample was used to represent Australian construction firms, then from this sample builders were invited to participate in Phase Two of this research to further illuminate the findings from Phase One.

The population for this research is all the licensed builders in Australia that are currently operating within the marketplace. As there is no database of all the licensed builders within Australia, it was necessary to manually compose this information from which to draw a representative sample. The builder licensing data is kept by individual states, so stratified random sampling was used where the population elements are divided into groups (strata) and the sample randomly selected from each stratum (Tashakkori & Teddlie 2010). To gather information on the builder population, publicly available builder registration and accreditation lists were accessed to generate a sampling frame for the Australian states of Queensland, New South Wales, Victoria, Tasmania, South Australia, and Western Australia. An explanation for each state as to how the records from these databases were collected is provided in Appendix I: Database Search.

Research Sample

Once the records were collected from the publicly available registration lists, they were saved in a Microsoft Excel workbook. Each state had its own worksheet that contained a list of builders. This list was used as the sampling frame for each state. A sampling frame is any material or device that is used to obtain observational access to the population of interest; it is a list of all those within the target population that can be sampled (Särndal, Swensson & Wretman 2003). The results from the search process for each state was used as a sample

frame for the target population. This process generated a sampling frame that included a total of 25,747 licensed builders for all six Australian states.

Once the sampling frame was created from the population, the list of records for each state were randomised. The mechanism for generating random samples was done in Microsoft Excel using the =RAND() formula (Finch & Gordon 2013). This formula returns an evenly distributed random number that is greater than or equal to zero and less than one (Microsoft 2018). As this formula regenerates volatile values every time the spreadsheet is calculated (opened or saved), these values were copied and pasted as static values. The registration lists were then sorted by the lowest value to the highest value. This process randomised the sampling frame for the random selection of individual samples to be chosen from the larger data set (Finch & Gordon 2013). By using simple random sampling, each individual builder had the same probability of being chosen as part of the sample which provides an unbiased surveying technique (Yates, Moore & Starnes 2002). This randomisation process enables a representative selection of builders without the need to recruit every builder within the sampling frame. The selected builders were then recruited from this list to participate in the study.

Recruitment of Participants

The records collected from the government databases included the business name and suburb name of the licensed builders. Some states (i.e. NSW and WA) included the business postal address, so sending mail surveys was considered. However, given the large number of builders and the expense of using the Australian postal service, it was considered impractical to use postal surveys. It was decided that the most efficient and effective way to contact the

builders is to send an electronic mail (email) and invite them to participate in the study. Emails and web-based collection methods have long been attractive to marketing researchers because of the low costs involved and fast response rates from participants (Ilieva, Baron & Healey 2002). Despite methodological and technological development of survey data collection, web-based surveys remain a robust and flexible method for collecting data on populations and making inferences about populations (Hays, Liu & Kapteyn 2015).

Whilst the Queensland Building and Construction Commission provides the email addresses for licensed builders on their database, all the other states in Australia do not provide this information. As such, a process of searching for the email addresses of the construction firms was initiated. The registered entity name of the firms was used in an internet search for the firm's email address. Some businesses use trading names that are different from their registered name, so the ABN Lookup website provided by the Australian Government was also utilised to capture the trading names of these firms which were also used in the Internet search. Many of the email addresses came directly from the firms' webpages and social media sites. Other search services were used as well, such as the Yellow Pages, White Pages, and Yelp. Due to the extensive process of searching for email addresses, it was determined that it was not effective and efficient to search every single record within the sampling frame. Rather, a process was used where the search began at the top of the randomised sampling frame and continued until it was expected that a sufficient number of emails had been collected to meet response targets (Finch & Gordon 2013).

An initial response target was set for 400 builders to complete the survey in Phase One, and an additional 20 to agree to participate with interviews in Phase Two. A response of 400 was

desired because this would be sufficient to establish a basis for generalisability. Using the National Statistical Service (NSS) calculator provided by Commonwealth of Australia (2017), to obtain a confidence interval of 95%, a sample size of 385 is required. This has been rounded up to 400 as a commonly used figure to aim for (MacCallum et al. 1999). For qualitative research using primary data interviews, the number of participants is generally determined by attempting to reach a point of saturation (Francis et al. 2010). Guest, Bunce and Johnson (2006) suggest that for non-probabilistic sample sizes in interview research, saturation occurs around twelve participants. It is noted that researchers should go beyond the point of expected saturation because the point of saturation will only become apparent during the coding process (Bowen 2008). Crouch and McKenzie (2006) recommend that researchers keep interviews below 20 participants to allow researchers to closely associate with the participants, and thus enhance the validity of in-depth qualitative inquiry. Therefore, a range of between 15 and 20 participants is the ideal number of interviews for this research.

A total of 4,350 construction firms were included in the search for email addresses. Some builders within the target population may not have a website or social media with contact details, as previous research has shown that some building companies do not use websites and prefer not to use social media (Swarts, Lehman & Lewis 2016). Other firms use website contact forms rather than providing an email address to protect online privacy or avoid receiving unwanted spam messages (John et al. 2009; Starov, Gill & Nikiforakis 2016). Nevertheless, the search process delivered a satisfactory *hit rate*, which is calculated by the number of emails collected per number of records searched.

During the search process 4,350 licensed builders were searched, which returned 1,352 email addresses. While the hit rates varied by state, the average hit rate for emails to searches was 31% across all the states. Given that the records for Queensland already had email addresses, a total of 4,928 email addresses for licensed construction firms was acquired. A review of survey response rates by Sheehan (2001) shows that the average response rate to email surveys is 37%, with a range from 19% to 72%. Other studies in the field of organisational research indicate that the average response rate from studies that collect data from firms was 35.7% (Baruch & Holtom 2008). Mellahi and Harris (2016) analysed response rates in business research and found that in general, the average response rate is 52% across all business disciplines, and 34% for marketing. Considering these average response rates, the contact list of 4,928 emails was expected to generate sufficient responses to meet the target of survey responses and interview participants. A list with the number of firms within the sampling frame, the number of searches conducted, and the number of emails collected is presented in Table 8 below.

Table 8: Builder Search by State

State	Sample Frame	Searches	Emails	Hit Rate
QLD	3576	n/a	3576	n/a
NSW	12968	500	106	21%
VIC	700	700	257	37%
WA	5090	2000	513	26%
TAS	1873	800	389	49%
SA	1540	350	87	25%
	25747	4350	4928	

Source: Research presented in this thesis.

Once the email addresses had been acquired, builders were sent emails inviting them to participate in the research (see Appendix C for a copy of the email invitation). Reminder emails were also sent out one week after the survey was initially sent to increase response rates. Only one follow-up email was sent to each participant, as repeated follow-up emails

have diminishing returns and may be considered as spam, thereby irritating or annoying the builders without noticeably increasing response rates (Deutskens et al. 2004).

4.5 Phase One: Data Collection

As explained in the research design section of this chapter, the data for this research was collected and analysed in two phases. Phase One collected quantitative data using an online survey. The following sections describe the method of data collection and data analysis for Phase One of this research. The validity and reliably of the data collection and analysis is discussed at the end of the chapter.

After participants were recruited, Phase One used an online survey tool called LimeSurvey to collect quantitative data from the participants. LimeSurvey is provided by the University of Tasmania and is installed on the institution's server. This survey instrument is an effective tool for collecting data on practitioner expertise (Klieve et al. 2010). LimeSurvey also complies with organisational policies regarding ethical considerations on the security and management of data. The online survey employed the use of balanced Likert (1932) scales, which are a psychometric rating instrument commonly used in questionnaires for academic research. Three scales were used; relationship marketing activities, complex customer relationships, and the relationship marketing orientation scale. These scales are explained in more detail below.

Relationship Marketing Activities Scale

In order to answer the research question, a scale was developed from the literature to measure relationship marketing activities. The first stage of developing an adequate scale is to specify

the domain of construct, and then to generate items from a theoretical foundation (Churchill Jr 1979). As such, a number of questions were developed out of the literature review regarding the application of relationship marketing theory. These questions were critically analysed and refined by academic experts to purify these down to twelve survey items (Kohli, Jaworski & Kumar 1993; Sin *et al.* 2005). This deductive approach to item generation, although time-consuming, helps to ensure content validity in the scale (Hinkin 1998). Each question in the Relationship Marketing Activities (RMA) scale relates to the associated section in the literature review on relationship marketing activities.

The questions used were kept as simple and as short as possible, with language that is familiar to the target group of respondents (Hinkin 1998). Once the questions had been developed and refined from the literature, they were field-tested and edited with experienced building practitioners to ensure the language was clear. Each question in the RMA scale asked the respondents to indicate the extent their business engages in each of the twelve relationship marketing activities identified in the literature review. The available responses for participants to choose from on the scale items were: Never, Rarely, Sometimes, Often, and Always (Brown 2010). These labels are chosen as they represent balanced intervals along a continuum of responses with equally spaced categories which allow for parametric data analysis (Derrick & White 2017). The twelve items used in the survey are included in Appendix A.

Complex Customer Relationships Scale

A similar approach was used for developing a Complex Customer Relationship (CCR) scale. In order to clearly specify the domain of the construct (Churchill Jr 1979), a definition of the

concept was developed from the literature review. Each of the characteristics of relationship complexity developed in the literature review has been contrasted with typical relationships within service markets to add clarity to the construct. To measure this contrast, reversed scored items were used in the scale to compare the characteristics of complex customer relationships with the normal characteristics. The use of reverse-scored items has stimulated much discussion and has strong proponents both for and against their use (Hinkin 1998). Whilst the reverse scoring is often used to reduce acquiescence bias, the use of this method can lead to respondents misunderstanding the questions and jeopardising the results (Suárez-Alvarez et al. 2018). Therefore, care was taken to ensure that each of the survey questions were as clear as possible (Józsa & Morgan 2017), yet still reflected the complexity of the construct.

Each question in the CCR scale asked the respondents to indicate their level of agreement with statements regarding the nature of their customer relationships. The available responses for participants to choose from on the scale items were: Strongly disagree, Disagree, Neutral, Agree, and Strongly agree (Brown 2010). These responses are designed to have equally spaced categories, so that the Likert scale is balanced and symmetrical. The twenty items used in the survey are included in Appendix A.

Relationship Marketing Orientation Scale

The Relationship Marketing Orientation (RMO) scale developed and validated by Sin et al. (2005) was adopted for this phase of the data collection process. As discussed in the literature review, this scale was adopted because it provides a comprehensive, psychometrically sound, and operationally valid measure of a firm's RMO. The reliability and validity of this scale has

been published in the *Journal of Business Research*, with the coefficient alpha for the trust, bonding, communication, shared value, empathy, and reciprocity being .56, .60, .68, .63, .72, and .78, respectively (Sin et al. 2005). The RMO scale was also analysed for convergent validity, discriminate validity by using the Market Orientation scale, nomological validity by testing for a positive association between RMO and business performance, and cross-cultural stability by comparing samples from Hong Kong and mainland China. Some questions were slightly adapted for this research. For example, the original RMO survey asked respondents to 'circle their responses' to suit a paper-based instrument. As this research used an internet-based survey, the preamble was adapted to ask respondents to select the most appropriate response. The RMO scale used in the survey instrument is included in Appendix A.

Using Likert Scales for Data Collection

As already indicated, Likert (1932) scales were used in this research to measure attitudes (dispositions toward overt action) in terms of favourability as expressed in agreement with the statement. They are commonly adapted to utilise a wide range of response categories, such as frequency, importance, and superiority (Allen & Seaman 2007). When adapting Likert scales, bipolar constructs (negative to positive) like attitude are best measured using 7-point scales; while unipolar constructs (zero to positive) should use 5 point scales (Krosnick & Fabrigar 1997). As a major part of the Phase One survey was designed to measure the extent businesses are using relationship marketing activities, a five-point scale was used to fit this unipolar construct. For simplicity and ease of use, the style of using five-point response categories was followed throughout the survey. Previous research on rating scales shows that 5-point and 7-point formats can readily be transferred to equivalency using a simple rescaling method (Dawes 2008).

The survey also contained a qualification check at the beginning of the instrument by asking if the respondents were a licensed builder or if they were the marketing manager responsible for managing sales and profit. Respondents were also asked if their business is mainly B2C, B2B, or a mix of both. Demographic data were also collected at the end of the survey, such as the state in which the business operates, the business's size, and main type of construction work produced by the firm. The survey finished with asking the respondents if they are willing to participate in Phase Two of the research project, which comprised of semi-structured interviews. This information was used to recruit participants for the second phase of the research project.

4.6 Phase One: Data Analysis

In accordance with the mixed methods sequential explanatory approach, the results of the survey were used to inform the questions in the semi-structured interviews to further explain the concepts used in the surveys (Fetters, Curry & Creswell 2013). The data from the Lime Survey application were imported to IBM® SPSS® Statistics Version 24, which is a software package that is used for statistical analysis of quantitative data. Each response for the individual items were given a numerical value, as per Table 9 below. These values were used for initial data analysis providing descriptive statistics in which the mean, median, mode, standard deviation, variance, frequencies, percentages, and distributions were calculated to develop an initial understanding of the data. Descriptive statistics are used to answer questions of 'what' things are like, and play a key role in highlighting the existence and extent of social problems in order to provide a basis for sound theory (De Vaus 2013, p. 23).

Table 9: Scale Values

Never	Rarely	Sometimes	Often	Always
1	2	3	4	5

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Source: Research presented in this thesis.

The descriptive statistics were used to compare the survey findings with the research covered in the literature review (Harrison & Reilly 2011). Each question from the CCR scale and the relationship marketing activities scale were analysed and contrasted with the expected outcome as set out in the literature review chapters. Responses that were disparate or unexpected were added to the interview schedule to further explain the results of Phase One. For instance, if the literature review found that a particular behaviour was to be expected by firms using a relationship marketing approach, yet the survey results suggest that this behaviour is not evident, a question regarding this item was added to the interview schedule to explain this result. Responses that were in line with the expected findings, or that could be explained by analysing demographic the data (such as B2B vs B2C responses) were not included in the interview schedule. A summary of the data analysis of the survey findings is provided in Chapter Five.

Nonresponse Bias

Nonresponse bias, or also known as participation bias, is when the sample becomes non-representative because the characteristics of the respondents are disproportionally different from the target population which results in biased statistical estimates (Fowler 2009). The response rate has often been viewed as an important indicator of nonresponse bias, with a higher response rate indicative of more accurate survey results. However, researchers have changed their focus to examining nonresponse bias as the association between response rate

and survey quality is under question (AAPOR 2016). The sampling error, or the level of precision, is the inaccuracy of using sample data to make estimates of an entire population (Israel 1992). This can be calculated to determine a suitable sample size, or alternatively the amount of error from a predetermined sample size.

In general, a response rate refers to the ratio of the number of completed surveys, over the number of eligible participants invited to complete the survey (Hulland, Baumgartner & Smith 2018). In this research, a survey was sent to 4,928 licensed builders throughout Australia. The survey returned a total of 251 responses. Of these responses, there were 175 completed responses which equates to a completed response rate of 3.5% which is very low compared to the average of 37.7% reported by Hulland, Baumgartner and Smith (2018).

The likely explanation for the low response rate is the method by which the builders were invited to participate in the study. As already indicated, the objective of this research was to explore the extent that relationship marketing transfers to an industry with complex customer relationships, in this case the construction industry. Given this is a wide context, a sampling frame was developed of licensed builders throughout Australia. Rather than use industry associations (like the HIA or MBA) to provide contact lists that may have produced higher response rates, it was decided to directly seek out builders and their contact details using an internet search. This resulted in a wider range of builders, as it was not restricted to members of industry associations, yet the quality of the contact data was not as high. Many of the email addresses were taken from the firm's websites and social media pages. As a result, the invitation emails may not have reached the master builders, or the marketing managers directly, but rather were received by reception staff or sales representatives. Furthermore, the

use of public email addresses may mean that some of the invitation emails may have been filtered out as spam or junk emails. As a result, the low response rate is a cost of inviting a wider range of builders to participate in the research.

Sampling Error

The Australian Bureau of Statistics (ABS 2018b) provides an online Sample Size Calculator. This tool can be used to calculate the sample size required for a study, or to calculate the standard error from a predetermined sample size. The standard error of the sample is a measure of sampling error that indicates the degree to which an estimate may vary from the true value (ABS 2018b). Given that the survey returned 175 complete responses, this tool is used to calculate the accuracy with which this sample represents the population.

Several settings and assumptions need to be made to calculate the standard error. The confidence interval determines the probability that the confidence interval produced from the calculation will contain the true parameter value, this is commonly set at 95% for scientific research. The population size is the total number of units contained within the parameters of the study. For this research, this is all licensed builders in Australia. This number is unknown, but an extensive search in NSW resulted in 12,968 builders, a complete registration list from WA had 5,090 builders. An average of these two states multiplied by the six Australian states give an approximate estimate of 60,000 builders in Australia. The proportion specifies the expected percent of the population that has the attribute that is being estimated from the survey (ABS 2018b). This requires previous research results to determine, so when this is unknown the proportion is set to 50% for a conservative estimate of variance. Therefore, using a 95% (alpha 0.05) confidence level, a population of 60,000 and a proportion of 0.50; a

sample size of 175 calculates a standard error of 0.03785. This gives a relative standard error of 7.57%, which is the standard error expressed as a percentage of the estimate. This means that the true values are expected to be within 7.57% of the calculated results.

Internal Consistency

Internal consistency for all three scales used in the survey were checked using Cronbach (1951) coefficient alpha. Cronbach's alpha is the most widely used index for measuring scale reliability in the social sciences (Bonett & Wright 2015). However, the results from this test must be used and interpreted with caution; first, Cronbach's alpha should not be used for scales with more than 20 items; second, alpha values can be too high as values above 0.90 point to redundancy among items; and third, the alpha does not apply in all situations as the result depends on the sample as well as the items used in the scale (Streiner 2003). When interpreting the results, research indicates that generally, reliability coefficients around 0.90 are considered 'excellent', values around 0.80 are 'very good', and values around 0.70 are 'adequate' (Kline 2015, p. 70). As the scale developed for complex customer relationships used inverted measures for contrast, the negative items were reversed in SPSS before conducting the reliability analysis.

Cronbach's alpha requires three basic assumptions as set out by Morera and Stokes (2016, p. 458). First, the item responses form a unidimensional scale, which means the scale can be visually represented by a single line. Second, the error scores from the items are uncorrelated, which means that the error in the estimate is random with a mean score of zero (Streiner 2003). Third, the items are essentially tau-equivalent, which assumes that each item of the scale measure the same latent variable but with 'possibly different degrees of precision'

(Graham 2006, p. 934). More simply, the tau equivalent model assumes that each test item measures the same latent trait, or hidden characteristic (such as relationship marketing orientation), on the same scale (Tavakol & Dennick 2011). The essentially tau-equivalent model also assumes all the errors to be random and independent of each other, and that all the factor loadings are equal (Cho 2016).

While it is impossible to know for certain, given the unknown population paraments and the exploratory nature of this research, these assumptions are adopted for all three scales used in the online survey. First, relationship marketing is visually presented in the literature as a unidimensional construct as a presented on a continuum (Grönroos 1995) and the idea of complex customer relationships have been developed as a unidimensional concept. Second, the error scores are assumed to be uncorrelated as there is no evidence to suggest otherwise, and this is a common and essential assumption in classical test theory used in the development of psychometric theory (Raykov, Marcoulides & Patelis 2015). Third, the literature review has set out in detail how the scales have been developed from existing theory to measure the intended latent variable, such as relationship marketing activities, relationship marketing orientation, and complex customer relationships. Therefore, the coefficient alpha gives an indication of internal reliability that the scales are consistently measuring what they intend to, and that the results are not scattered with a large degree of unexplained variability.

The Relationship Marketing Activities (RMA) scale has very good internal consistency with a Cronbach's alpha of 0.810. The number of responses (n = 192) for this scale are higher than the other scales, most likely because this scale was at the beginning of the survey. The

Complex Customer Relationship Scale (CCR) has a Cronbach's alpha of 0.734, which is more than adequate. This is a good result, as scales using positive and negative items address the issue of acquiescence bias, yet have been known to reduce the internal consistency of the scale (Salazar 2015). The Relationship Marketing Orientation (RMO) scale had a Cronbach's alpha of 0.910. This high score was expected as this scale has been developed and refined in previous research (Sin et al. 2005). Testing the internal consistency of this scale with a sample from a different industry context and within a different cultural context (i.e. Australia) adds to the strength of the reliability and validity of this instrument.

4.7 Phase Two: Data Collection

Phase Two of this research collected qualitative data via semi-structured interviews. As mentioned previously, at the end of the online survey, respondents were asked if they were prepared to participate in Phase Two of the research. A total of 53 builders expressed interest in participating in the interview phase. From these volunteers, participants were selected based on their location and business type. In line with the objectives of this study, preference was given to residential construction firms operating in B2C markets. The interview dates and locations were arranged at a mutually agreeable time and place. A total of nineteen builders were interviewed; 7 from Queensland, 8 from Tasmania, and 4 from Western Australia. This number meets the response target of between 15 to 20 participants noted earlier (Bowen 2008; Crouch & McKenzie 2006). Table 10 presents a summary of the respondents interviewed in Phase Two of the data gathering process.

Semi-structured interviews were used to collect data from the interviewee participants. Semi-structured interviews allow participants to respond to the interview questions and express

their views in their own words (Cohen, D & Crabtree 2006). This format also gives the researcher the flexibility to ask further questions and explore new topics and themes during the interview (Neuman 2011). Semi-structured interviews use a schedule of interview questions to ensure the key concepts are systematically covered, but also allow for the natural flow of discussion to be conversational and informal (Eriksson & Kovalainen 2015). The interview schedule (see Appendix B) included questions from the key concepts identified from the survey data analysis in Phase One. After obtaining consent from the participants, all the interviews were digitally recorded on an audio recording device.

Table 10: Participants by State

State	Completed Survey	Interviewed
NSW	5	-
VIC	8	-
QLD	108	7
WA	20	4
SA	3	-
TAS	31	8
Total	**175**	**19**

Source: Research presented in this thesis.

The recorded interviews were then transcribed in Microsoft Word™. A naturalism approach to transcription notation was used to capture the nuances that are contextual tone and feel of the conversation for analysis (Oliver, Serovich & Mason 2005). This is opposed to de-naturalism; in which grammar is corrected, stutters and pauses are removed, and slang and swearing are edited. Naturalism allows for a more accurate representation of the participant's perspective of the real-world and keeps the rich detail in the data for further analysis. For this reason, it was decided (with ethics approval) not to send transcripts to the participants for

review. The data collection process for Phase Two generated a total 87,698 words in 19 different documents.

4.8 Phase Two: Data Analysis

Once the interviews were transcribed, Computer Assisted Qualitative Data Analysis Software (CAQDAS) was used facilitate the qualitative data analysis. CAQDAS programmes expedite time consuming tasks and allow the researcher to focus on the conceptual work of analysis (Carcary 2011). Wickham and Woods (2005) assert that CAQDAS programmes are valuable in qualitative research because of their usefulness in data management and support of the coding processes. For this research NVivo 11™ was used, which is a CAQDAS programme produced by QSR International. NVivo™ allows all the data coded to a node to be viewed by browsing the node; the software collects all the relevant data from the original data source and presents them together for analysis (Carcary 2011). These nodes can be formed into hierarchies (called parent and child nodes) which assist the researcher with data analysis.

At the beginning of the coding procedure, preliminary nodes were created that related to each of the research questions (Miles et al. 1994). These nodes were grouped into the main headings of relationship marketing and complex customer relationships. The relationship marketing node had a node for relationship marketing activities, with child nodes for each of the twelve activities set out in the literature review, a node for key strategic resource, and a node for return on relationships. The main node for complex customer relationships had child nodes for each of the nine characteristics set out in the literature review. The data collected in response to the interview questions were then coded to these preliminary nodes. Further grandchild nodes were created for each of the characteristics of complex customer

relationships to group data that confirmed this concept or data that denied this concept. Grandchild nodes were also created to for inductive themes that developed during coding and data analysis. A list of rules was created for each node which were developed with reference to the literature and provided a guide as to what data should be included or excluded from each node (Gibbs 2018). A structure of the nodes is provided in Table 11, and the coding rules are included in Table 12 and Table 13 below.

Table 11: Nodes and Coding Rule Tables

1. Relationship Marketing	19	303
1. RMA Relationship Marketing Activitie	19	199
1.01 Customer Records	2	2
1.02 Customer Preferences	0	0
1.03 Social Media	9	18
1.04 Loyalty Programme	19	25
1.05 CRM Programme	1	2
1.06 Measure Customer Satisfaction	4	5
1.07 Complaint Mangement Process	2	3
1.08 Analyse Customer Value	19	66
1.09 Prioritise Valuable Customers	18	41
1.10 Terminate Relationships	2	4
1.11 Maintain Relationships	19	32
1.12 Quality Management System	1	1
2. KSR Key Strategic Resource	19	71
2.1 Competitive Advantage	19	27
2.2 Staff Training	19	44
3. ROR Return On Relationships	19	33

(table continued over page)

2. Complex Customer Relationships	19	422
1. Legal Centric vs Social Centric	18	112
1.1 Confirm Legal Centric	17	42
1.2 Deny Legal Centric	6	7
1.5 Dispute, Court or Litigation	9	13
1.6 Changing Focus	9	13
2. Extended Transactions vs Transient	8	14
2.1 Confirm Extended Transactions	6	8
2.2 Deny Extended Transactions	0	0
2.5 Maintenance	5	5
3. Emotional Attachment vs Rational	19	54
3.1 Confirm Emotional Attachment	18	42
3.2 Deny Emotional Attachment	4	4
3.5 Builder Emotional Attachment	4	4
4. Dynamic Values vs Static Values	11	18
4.1 Confirm Dynamic Value	11	16
4.2 Deny Dynamic Value	0	0
5. Technical (Habitus Shock)	15	33
5.1 Confirm Techinical	13	27
5.2 Deny Technical	1	1
5.5 Different Education Levels	2	2
6. Focus on Amicability vs Repeat busin	14	37
6.1 Confirm Amicability Focus	11	23
6.2 Deny Amicability Focus	5	7
6.5 Confusion repeat and referal	4	5
7. Repeat Purchase Intention vs Single	19	54
7.1 Confirm Lack of Repeat Purchase	16	36
7.2 Deny Lack of Repeat Purchase In	6	12
8. Tendering Process vs Relationship	17	44
8.1 Confirm Tendering Issues	13	24
8.2 Deny Tendering Issues	1	1
8.5 Pricing Issues (not tender)	5	8
9. Intricate Service Recovery vs Simple	19	56
9.1 Confirm Difficult Recovery	17	43
9.2 Deny Difficult Recovery	5	6

4. Inductive Nodes	18	63
Construction Management Software	2	2
Difficult Clients	10	16
Friendship vs Customer Relationship	7	10
Mistrust of Builders	5	9
Strong Finish	2	3
Subbies vs Customer	2	3
TV Shows	4	5
Wellbeing	10	15

Source: Research presented in this thesis.

Table 12: Coding Rules: Relationship Marketing

Node	**Coding Rules**
1.01 Customer Records	Data regarding firms keeping detailed records of customer interactions (e.g. phone calls, complaints, enquiries).
1.02 Customer Preferences	Data regarding firms using a system to keep track of customers' preferences (e.g. footy team, hobbies).
1.03 Social Media	Data regarding firms using social media to develop relationships with clients (e.g. Facebook, Twitter).
1.04 Loyalty Programme	Data regarding firms using a customer loyalty program (e.g. rewards card, repeat purchase discounts).
1.05 CRM Programme	Data on firms using a Customer Relationship Management (CRM) program (e.g. Salesforce, SAP, Oracle).
1.06 Measuring Customer Sat	Data on firms measuring and analysing customer satisfaction (e.g. online surveys, feedback forms).
1.07 Complaint Management	Data on firms using a formal customer complaint process to manage negative feedback.
1.08 Analyse Customer Value	Data of firms analysing the profitability of customers (e.g. calculate Customer Lifetime Value).
1.09 Prioritise Valuable Customers	Data of firms prioritising their valuable or most profitable customers in their decision making.
1.10 Terminate Relationships	Data showing firms terminating relationships with unprofitable (or least profitable) customers.
1.11 Maintain Relationships	Data regarding firms maintaining an ongoing relationship with customers (e.g. after their project has completed).
1.12 Quality Management System	Data regarding firms using a quality management system during design and construction (e.g. ISO9001).

Source: Research presented in this thesis.

Table 13: Coding Rules: Complex Customer Relationships

Node	Coding Rules
1. Legal-Centric	Data that shows a focus on contracts, paperwork, compliance, legal enforcement, regulation, authorities, dispute, managing defects.
2. Extended Transactions	Data that provides evidence of the continuous interaction between client and builder.
3. Emotional Attachment	Data regarding the bond between a person and a specific object. Pleasure or displeasure, anger, disgust, fear, happy, sad, surprise, rational.
4. Dynamic Changes of Value	Data on the varying nature of what customers perceive as important. Client variations, changing their mind.
5. Technical (Habitus Shock)	Data about the unique and specialised skillset required. Technical aspects of construction, specialised, understand.
6. Focus on Amicability	Data regarding the emphasis on maintaining an amicable relationship. Customer satisfaction rather than loyalty, getting along.
7. Repeat Purchase Intention	Data revealing the degree to which customers aim or plan to buy again. Building for the first time, build again, referral.
8. Tendering Process	Data about customers choosing the builder based on price, quoting and pricing.
9. Service Recovery	Data that reveals multiple service failures with high customer involvement. Construction mistakes, unhappy clients, building failures.

Source: Research presented in this thesis.

As Robson and Hedges (1993) advise, the need to revisit the data was addressed by employing a dynamic process of going back to the data to re-examine and re-evaluate the data, and to think about the codes and to continually revise them. These changes to node structure and the coding rules were recorded by writing memos in the form of a research journal during the data analysis stage. Gibbs (2018) points out that memos are seen as a way of theorising and documenting thematic coding of ideas and the general development of the analytical framework. As such, memos were also used to record emerging ideas and themes during data analysis. At the end of the coding stage, the data were retrieved for each node and a report for each category was produced. These reports were checked, and any data that was mistakenly coded or considered unnecessarily detailed was removed to improve clarity.

4.9 Validity and Reliability

Validity is the strength of the research in being plausible, credible, and trustworthy (Johnson, B & Turner 2003). Validity is used to convince readers that the findings of the research are genuinely based on a critical investigation of all of the data and do not depend on a few selected examples at the risk of anecdotalism. Maxwell (1992) sets out three main types of validity, originally developed for the context of qualitative research. Descriptive validity refers to the factual accuracy of an account whereby the research records what actually happened. Interpretative validity is the accuracy of reporting what the phenomena mean from the participant's perspective and how they comprehend it. Theoretical validity refers to the degree that the theoretical explanation provided by the researcher fits with the data, both with the concepts employed in the theory and the relationship between these concepts. These three types of validly are used in mixed methods research to improve the strength of the research (Johnson, B & Turner 2003).

Descriptive validity has been addressed in this research by audio-recording the interviews which were then transcribed by the interviewer/researcher. This allows for a direct account of what actually happened while the researcher can give their full attention to the interviewee for a productive conversation (Hughes 2016). Interpretative validity has been addressed by using the context of the data during analysis to capture the meaning of the words, and the direct quotes from the interviewees are used in the findings chapter of this thesis. Theoretical validity is often addressed by using construct validity for the theoretical concepts, and internal validity for the relationship among these concepts (Norris 1997). Internal validity is the justification for making a causal inference from the data, while external validity is the degree to which the findings can be applied outside the context of the study (Johnson, B & Turner 2003). Construct validity is the degree to which a test measures what it intends to be

measuring. Statistical tests for internal consistency can be used for quantitative data, such as Cronbach (1951) alpha, which have been used in this research.

Reliability

Reliability is the extent to which findings are consistent across repeated investigations with different researchers (Gibbs 2018). The idea of reliability embodies the notion of repeatability of results or observations, where a high degree of stability indicates a high degree of reliability (Golafshani 2003). If research is reliable, the results should be able to be repeated by other researchers carrying out the same research design. To this end, this chapter has set-out and explained the research philosophical approach, the research design, the selection and recruitment of participants, data collection, and data analysis.

In order for the findings to be reliable, the measurement of the variable being observed must be accurate. Kirk and Miller (1986, p. 41) identify three types of reliability, which relate to: (1) quixotic reliability, which is the degree to which a measurement remains the same when being repeated; (2) diachronic reliability, which is the stability of a measurement over time; and (3) synchronic reliability, which is the similarity of measurements within the same time period.

Researchers need to be careful in analysing quixotic reliability as it can be misleading. For example, a broken thermometer will return the same reading, yet it is obviously unreliable (Kirk & Miller 1986). Diachronic reliability is often demonstrated using test and retest procedures, such as consistency in an individual's response to questionnaire items

(Golafshani 2003). The issue with diachronic reliability is that it is only really effective when applied to the measurement of features and entities that remain constant over time. For example, in measuring relationship marketing activities, firms may actually embrace a relationship marketing approach over time and as such the results will not remain constant. Synchronic reliability refers to measurements within the same time period, and rarely involves identical observations. Paradoxically, synchronic reliability can be most useful for qualitative researchers when it fails because it motivates the researcher to consider 'how multiple, yet somehow different, measurements might simultaneously be true' (Kirk & Miller 1986, p. 42).

To ensure the research is as reliable as possible, Gibbs (2018) recommends checking for transcription errors, and addressing definitional drift in coding by constantly checking the coding rules and using memos to help remember the key concepts behind the nodes. Both of these techniques were used during the data analysis of Phase Two. Furthermore, Neuman (2013) recommends that a reliable research design should include high-quality data from a range of sources and multiple data collection methods. This research project has collected data from many different practitioners, using both quantitative and qualitative collection methods.

4.10 Limitations of the Study

Quantitative research requires a sufficient sample size to be able to make statistical inferences on the properties of a population. Despite the enduring effort and the large number of builders invited to participate in the survey, there was a low number of completed responses. This can be a problem because data from surveys that have low response rates are more likely to be

affected by self-selection bias (Wilson 1999), whereby the participants that are willing to participate have different characteristics than those who declined to participate (Hudson, D et al. 2004). This bias could manifest itself in such a way whereby those builders who are more interested in the research or are more proficient in marketing are more likely to participate than those builders who are indifferent or incompetent (Khazaal et al. 2014; Krawczyk 2011).

While the low response rate in this research is an important consideration, 'research has shown that surveys with very low response rates can be more accurate than surveys with much higher response rates' and in some situations increasing the response rate actually makes the sample less representative (Krosnick 1999, p. 540). Therefore, it is more important to check for sample bias than to bolster the response rate. This is done by analysing the demographic data collected during the survey and comparing it to the population parameters. It is difficult to account for the self-selection bias in this research as there is limited data on the characteristics that make up the population of Australian builders due to the limited marketing research on the Australian construction industry. This means that the characteristics of the sample cannot be used in bivariate tests to detect selection bias of participants and non-participants (Cuddeback et al. 2004). Nevertheless, the sample analysis indicates that builders participated from all states, from both B2B and B2C sectors, with varying levels of annual turnover, and a varying number of buildings constructed. These statistics are reported in further detail within the Phase One Survey Findings chapter.

A limitation of qualitative research designs is that the 'richness of meaning' is partly a function of ambiguity in which the meaning of the constructs differ between individuals (Babbie 2016, p. 27). Furthermore, the knowledge generated cannot be generalised beyond

the specific context for which the data were collected (Neuman 2011). A further criticism is that there is a lack of transparency and that it can be difficult to determine how the researcher had reached their conclusions (Bryman & Bell 2015). This chapter has attempted to address these issues by noting the reasons for incorporating qualitative data in the research design, and how the qualitative data have been analysed. Outlining the research methods used provides a 'roadmap' to review and replicate this study by other researchers. Furthermore, it has been outlined how combining both quantitative and qualitative methods into a mixed-methods approach provides a more complete understanding of the research problem than using either approach alone (Creswell 2014). As such, this approach is more suitable to address the research question, helps to provide stronger inferences through enhancing reliability and validity, and provided triangulation of multiple measures to gain a more complete picture of a phenomenon (Hanson & Grimmer 2007).

4.11 Conclusion to the Chapter

This chapter has described the methods used in conducting the research for this thesis. A postpositivist philosophical approach was adopted with a realist ontological position. The benefits of mixed methods research were discussed and shown to be appropriate for social science research in order to provide a better understanding of the research problem. An explanatory sequential design was outlined, with two phases of research. Participants were selected from Australian construction firms, which were sampled from publicly available databases of licensed builders. These participants were recruited by sending invitations to participate via email.

The quantitative data were collected using an online survey application. This survey used three scales measuring relationship marketing activities, relationship marketing orientation, and the characteristics of complex customer relationships. The quantitative data were analysed in SPSS and checked for non-response bias, sampling error, and internal consistency. The qualitative data were collected using semi-structured interviews with builders from Australian construction firms. The interviews were recorded and transcribed and then imported in NVivo 11™ for thematic analysis. The issues of validity and reliability were addressed, as well as the limitations the research method. The survey findings and the interview findings are presented in the following chapters.

Chapter Five

Phase One Survey Findings

Chapter 5: Phase One Survey Findings

5.1 Introduction to the Chapter

As was noted in Chapter Four, the quantitative phase of this study aimed to discover in some detail the perceptions of participants from Australian construction firms regarding their relationship marketing orientation, relationship marketing activities, and complex customer relationships. This research design then provided a framework for Phase Two of the research (to be described in Chapter Six). That is, the reason for adopting an explanatory sequential design was to use the results of quantitative findings (Phase One) to provide insight and a breadth of understanding of the Australian construction industry. This allowed a more focussed approach when the interview schedule was being devised (Phase Two), with the interviews then providing a greater depth of knowledge (Tashakkori & Teddlie 2010). Overall, the survey phase sought to determine the extent relationship marketing is used within the Australian construction industry, and the characteristics that make up complex customer relationships within this market. Within this context, the primary aim of this chapter is to present the findings from the survey. Before this, an overview of the characteristics of the survey respondents is provided. Subsequently, the findings are separated into three sections; complex customer relationships, relationship marketing orientation, and relationship marketing activities.

As has been previously noted, these three theory areas are at the heart of this research. In relation to complex customer relationships, it is clear from the data that eight of the nine relationship characteristics that define complex customer relationships as found in the literature were evident. This reinforces the suitability of the Australian construction industry representing a valid context for this research. For relationship marketing orientation, it was

seen that respondents have a positive orientation towards adopting a relationship marketing approach. This provided evidence of an awareness of marketing processes, thus helping frame the interview schedule. Concerning the last theory area, relationship marketing activities, it was clear from the data that on average respondents do not often engage in specific relationship marketing activities. This knowledge was subsequently fed into the interview schedule. The penultimate section of this chapter provides a summary of the findings from Phase One. The concluding section then draws on this to establish a context for Phase Two, the interviews. The results of the interviews will form the basis of the following chapter.

5.2 Sample Characteristics

As stated in the Research Method chapter, the online survey returned 175 useable responses. In the first section of the survey, respondents were asked with whom they conduct most of their business with. The majority, 49 percent (n = 110), indicated they deal mostly with consumers (e.g. families, home owners), hence they are B2C firms; 21 percent (n = 48) indicated they deal mostly with other businesses (e.g. developers), hence they are B2B firms; and 23 percent (n = 52) reported having a mix of B2C and B2B customers. The remaining 7 percent (n = 15) of respondents selected 'other', which they reported as: government contracts, facilities management and insurance work.

The survey also sought information regarding the state or territory the business operated in. As shown in Table 14, the majority of respondents (n = 111, 54%) reported operating in Queensland; in ascending order, the remaining firms were located in Tasmania, Western Australia, Victoria, New South Wales, South Australia, the Northern Territory, and the Australian Capital Territory. When compared to national distribution of residential

construction businesses in operation (BWA 2017), Queensland and Tasmania are over represented in the sample, while New South Wales and Victoria are underrepresented. This bias in the sample is due to the limitations in accessing the databases of licensed builders for the recruitment of participants, as discussed in the Research Method chapter.

Table 14: State Representation

In which state or territory does your business operate?

State:	QLD	TAS	WA	Vic	NSW	SA	NT	ACT
n	111	35	22	12	12	7	3	2
Sample	54%	17%	11%	6%	6%	3%	1%	1%
Industry	21%	2%	9%	30%	30%	5%	1%	2%

Source: Research presented in this thesis.

Data were also gathered regarding the demographic characteristics of the sample firms, for example number of employees, how long the business had been operating and approximately how many buildings or projects the firm constructed each year. As shown in Table 15, the survey results indicate that the average number of direct employees was 34 [with a range of 0 to 2000] and the median was 4 employees. A direct employee is a person who works as an employee of a company and is paid a salary by it, rather than being a subcontractor or employed through an agency. Respondents that report zero employees are likely to be sole traders. When compared to the industry statistics on residential construction firms (Table 16), the number of non-employing firms is underrepresented in the sample. This is because the Australian Bureau of Statistics collects data on all firms operating in the construction market that contribute to the project (e.g. bricklayers, plumbers, painters) while the population for this research is specific to licensed builders who are responsible for managing the projects. The results also show that the average number of projects produced by the respondents is 45 per year and the median is 8 projects per year. With regards to the continuous length of

sample firms' operations, the majority (n =72, 41%) of respondents reported operating between 21 to 50 years, while the average number of years in operation was 23 [with a range of 1 to 163].

Table 15: Characteristics of Firms

	Mean	Median	Min	Max
Number of employees	34	4	0	2000
Number of projects per year	45	8	0	2500
Years of business operation	23	20	1	163

Source: Research presented in this thesis.

Table 16: Number of Employees

Number of Employees	Sample	Percent	Industry	Percent
Zero	12	7%	37,693	63%
1 to 19	137	77%	21,307	36%
20 to 199	21	12%	404	1%
200+	7	4%	20	0%
TOTAL	177	100%	59,424	100%

Industry Data Source: BWA Construction Industry Report 2017 and ABS-8165.0

5.3 Complex Customer Relationships

The Australian construction industry was selected as the context for this research because of the nature of the customer relationships within these project-based markets. In exploring these customer relationships, the literature review set out nine relationship characteristics that are used to identify how complex customer relationships in project-based markets are different from customer relationships within typical service markets. Data from the survey demonstrated that the sample firms perceived the Australian construction industry to possess

eight of the nine characteristics associated with complex customer relationships. As shown in Table 17, the only characteristic that was not sufficiently evident from analysis of the survey data is that relating to the tendering process. The relationship characteristics that were evident are; legal-centric ($\bar{x} = 3.57$), extended transactions ($\bar{x} = 4.33$), emotional attachment ($\bar{x} = 4.08$), dynamic values ($\bar{x} = 3.899$), technical product ($\bar{x} = 3.65$), focus on amicably ($\bar{x} = 4.52$), purchase intention ($\bar{x} = 3.283$), and service recovery ($\bar{x} = 3.24$). Given that eight of the nine characteristics were significantly supported, the Australian construction industry was found to be a suitable context in which to explore the transfer of relationship marketing theory to project-based markets with complex customer relationships.

Table 17: Relationship Characteristics in Complex Customer Relationships

	Pos. Item	Neg. Item	Difference	Evident	Distinct
Legal-centric	3.57	4.18	-0.60	Yes	No
Extended Transaction	4.33	2.12	2.21	Yes	Yes
Emotional Attachment	4.08	3.44	0.64	Yes	Yes
Dynamic Values	3.89	2.85	1.04	Yes	Yes
Technical Product	3.65	2.57	1.08	Yes	Yes
Focus on Amicability	4.52	4.47	0.05	Yes	Yes
Purchase Intention	3.28	3.29	-0.01	Yes	No
Tendering Process	2.85	3.32	-0.47	No	No
Service Recovery	3.24	3.71	-0.47	Yes	No

Source: Research presented in this thesis.

The data analysis revealed that five of the characteristics of complex customer relationships are distinct (refer to Table 17). The characteristics are considered ‘distinct’ when the difference between the positive survey items and the negative survey items is greater than zero. The four characteristics that are not distinct are: legal-centric (-0.60), repeat purchase intention (-0.01), tendering process (-0.47), and service recovery (-0.47). These results are different than what was expected from the literature review for the following four reasons.

First, the survey results show that respondents agree that their customer relationships are both *legal-centric* and loyalty-centric, yet the literature review developed the argument that customer relationships in project-based markets would be legal-centric rather than focus on trust and customer loyalty. Second, the construction firms report that most of their customers do not have repeat *purchase intention* as most of their customers are building for the first time, yet the results also show that most of the customers have built before. Third, the results show that most customers are selecting construction firms based on loyalty rather than through the *tendering process*, yet the literature review revealed that the tendering process is often used in the construction industry which creates a barrier to customer loyalty. Finally, the results show that *service recovery* is not complicated and that issues are fairly simple to resolve, yet the literature review suggested that service recovery is difficult because of repeated deviation throughout the project. Therefore, questions regarding these four characteristics were added to the interview schedule for further exploration.

With regard to the non-distinct characteristics of complex customer relationships, the results for *emotional attachment* (0.64) and *focus on amicability* (0.05) are positive, but they are also considered surprising as these results are only weakly positive. For example, the survey results show that customers are emotional and that they are also rational throughout the project, yet the literature review suggested that customers will have a strong emotional attachment which would impact the customer's rational decision making. The results also suggest that respondents use customer satisfaction for repeat purchase intention as well as to maintain an amicable relationship, yet the literature review proposed that firms would use customer satisfaction with a focus on amicability rather than a continuing relationship. Therefore, these questions were also added to the interview schedule for further exploration.

The survey results for the items regarding complex customer relationships are presented in Table 18 below.

Table 18: Survey Results for Complex Customer Relationships

	N	Mean	Std. Dev	Var
1.1 *Communication with our customers often relates to contractual matters (variations, claims, etc).	185	3.57	1.025	1.050
1.2 Communication with our customers often focuses on developing a loyal relationship with them.	186	4.18	0.702	0.493
2.1 Our customers typically make multiple progress payments throughout the construction project.	186	4.33	0.841	0.708
2.2 Our customers typically only make one single (lump sum) payment.	186	2.12	1.161	1.348
3.1 *Our customers are usually emotionally attached to the construction project.	185	4.08	0.924	0.853
3.2 Our customers are usually rational and logical about the construction project.	186	3.44	0.881	0.777
4.1 Our customers often change their mind during the construction project.	186	3.89	0.914	0.836
4.2 Our customers often stick to their decisions throughout the construction project.	186	2.85	0.869	0.756
5.1 Our customers are often confused by the technical aspects of the construction process.	185	3.65	0.967	0.936
5.2 Our customers typically understand the technical aspects of the construction process.	186	2.57	0.929	0.863
6.1 *We try to keep our customers happy so they are easy to work with during the project.	186	4.52	0.581	0.338
6.2 We try to keep our customers happy so that they build with us again in the near future.	186	4.47	0.608	0.369
7.1 Most of our customers are building with us for the first time.	184	3.28	1.033	1.067
7.2 Most of our customers have built with us before on another project.	183	3.29	1.026	1.053
8.1 *Most of our customers choose us because we won the tender or our low price.	186	2.85	1.124	1.264
8.2 Most of our customers choose us because they are loyal to our business.	186	3.32	0.938	0.879
9.1 *If our customers are unhappy, it is usually complicated by many issues.	186	3.24	1.033	1.068
9.2 If our customers are unhappy, it is usually fairly simple to resolve.	185	3.71	0.873	0.762
1.3 We often interact with our customers to comply with contract conditions.	185	3.98	0.827	0.684
1.4 We often interact with our customers to make them loyal (repeat) customers.	185	4.10	0.741	0.549
Valid N (listwise)	179			

* This item/topic was added to interview schedule for Phase Two.

Source: Research presented in this thesis.

5.4 Relationship Marketing Orientation

Data from the survey revealed that overall, the respondents have a positive Relationship Marketing Orientation (RMO). As displayed in Table 19 below, all six factors of the RMO scale have a value indicating agreement with the RMO items ($i.e. \bar{x} > 3$). This finding demonstrates that the respondents have a generally positive disposition to relationship marketing concepts. As discussed in the literature review, this does not mean that Australian construction firms are implementing relationship marketing, as firms may intend to adopt a relationship marketing approach but lack the capability to effectively implement in these marketing behaviours.

Table 19: Survey Results for RMO Scale

RMO items	N	Mean	Std. Dev	Variance
Shared Value	181	3.026	0.653	0.427
Empathy	181	3.482	0.706	0.499
Bonding	178	3.813	0.582	0.339
Trust	179	3.830	0.660	0.436
Communication	179	3.834	0.536	0.288
Reciprocity	183	3.991	0.562	0.316
Valid N (listwise)	168			

Source: Research presented in this thesis.

5.5 Relationship Marketing Activities

The survey also asked respondents to indicate what relationship marketing activities they used, according to a five-point Likert scale. A shown in Table 20 below, the data analysis revealed three clusters of relationship marketing activities. The relationship marketing activities most often implemented by the sample firms are 'trying to maintain ongoing relationships with customers' ($\overline{x} = 4.00$), 'keeping detailed records of customer interactions'($\overline{x} = 3.75$), and 'prioritising valuable (i.e. profitable) customers in decision-making' ($\overline{x} = 3.21$). The results indicate that these tasks are important to Australian construction firms and that the respondents are able to implement these marketing activities.

The finding relating to ongoing relationships was unexpected as the literature review discussed how there was little repeat purchase intention in the construction market. The findings regarding prioritising customer value and analysing the profitability of customers were also unexpected. Although the results show that respondents are not analysing the profitability of all customers, the results show that they are prioritising their most profitable customers. These findings appear to be inconsistent as prioritising valuable customers seems impossible without first analysing customer value. Therefore, questions about the extent to which these firms calculate the return of relationship investment and prioritise more valuable customers in their decision making were added to the interview schedule for further exploration.

The relationship marketing activities with sporadic implementation are: 'terminating relationships with unprofitable customers' ($\overline{x} = 2.93$), 'using a quality management system' ($\overline{x} = 2.71$), 'using social media to develop relationships' ($\overline{x} = 2.41$), 'using a formal customer complaint process' ($\overline{x} = 2.38$), 'analysing the profitability of customers' ($\overline{x} = 2.36$), and 'measure and analyse customer satisfaction' ($\overline{x} = 2.18$). The mean scores shown here indicate that these activities are less apparent in how Australian construction firms manage their customer relationships. This could suggest one of two things. First, that the respondents were unaware of these activities and this is why they scored low on them. Or, second, as discussed in the literature review, that the activities listed above are more difficult to implement in construction, due to its project-based nature and the complexity of the relationships with customers.

The relationship marketing activities least implemented are: 'using a system to keep track of customers' preferences' ($\overline{x} = 1.84$), 'using a CRM programme' ($\overline{x} = 1.67$), 'and using a customer loyalty programme' ($\overline{x} = 1.55$). These results indicate that these activities are not apparent in the sample firms (i.e. they were unaware of the activities, or they are irrelevant to customer relationship management in the industry). The finding that 'using a customer loyalty programme' had the lowest average response is not surprising as customers in project-based markets have little need for repeat purchasing behaviour, hence it makes sense that Australian construction firms are not prioritising this activity. However, given that customer loyalty programmes are often used with relationship marketing approaches, this finding does highlight the difference between project-based markets and other service industries such as retail or hospitality. Therefore, a question regarding customer loyalty programmes was added to the interview schedule for further exploration. The results are displayed in Table 20 below for each of the relationship marketing activities.

Table 20: Survey Results for Relationship Marketing Activities

	N	Mean	Std. Dev	Variance
***Try to maintain an ongoing relationship with customers (e.g. after their project has completed).**	197	4.00	0.969	0.939
Keep detailed records of customer interactions (e.g. phone calls, complaints, enquiries).	199	3.75	1.208	1.459
***Prioritise valuable (most profitable) customers in your decision making.**	196	3.21	1.287	1.656
Terminate relationships with unprofitable (or least profitable) customers.	197	2.93	1.183	1.399
Use a quality management system during design and construction (e.g. ISO9001).	198	2.71	1.585	2.513
Use social media to develop relationships with clients (e.g. Facebook, Twitter).	197	2.41	1.395	1.946
Use a formal customer complaint process to manage negative feedback.	198	2.38	1.522	2.318
***Analyse the profitability of customers (e.g. calculate Customer Lifetime Value).**	197	2.36	1.358	1.844
Measure and analyse customer satisfaction (e.g. online surveys, feedback forms).	197	2.18	1.484	2.201

Use a system to keep track of customers' preferences (e.g. footy team, hobbies).	196	1.84	1.165	1.358
Use a Customer Relationship Management (CRM) program (e.g. Salesforce, SAP, Oracle).	198	1.67	1.329	1.766
***Use a customer loyalty program (e.g. rewards card, repeat purchase discounts).**	198	1.55	1.040	1.082
Valid N (listwise)	**192**			

* This item/topic was added to interview schedule for Phase Two.
Source: Research presented in this thesis.

5.6 Summary of Phase One

In summary, Phase One investigated the extent to which relationship marketing is used by firms in the Australian construction industry. It also aimed to identify the characteristics that make up complex customer relationships within this market. Consequently, the sample characteristics were analysed for state representation and business size, and the sample is considered reasonably representative of the target population. The survey results show that eight of the nine characteristics associated with complex customer relationships are evident within the sample of the Australian construction industry which validates this industry as a suitable context for exploring the extent to which relationship marketing transfers to project-based markets.

There were six characteristics of complex customer relationships that were added to the interview schedule. First, legal-centric relationships were evident from the results, but respondents also said that their customer relationships were loyalty-centric, so a question was added to explain this result. Second, repeat purchase intention was confusing as most customers were new, and most customers were also repeat customers. Third, the tendering process required further explanation as the results indicate that most customers do not choose firms based on tendering process or the cheapest price, while the literature review indicates otherwise. Fourth, service recovery is not as intricate as expected, as the results show that

issues are fairly simple to resolve. Fifth, emotional attachment required further explanation as the results show that customers are both emotional and rational. Sixth, a focus on amicability is stronger than a focus on repeat purchase intention, but not as different as expected.

Questions were also added to the interview schedule regarding relationship marketing activities. First, customer loyalty programmes are rarely implemented by Australian construction firms, yet this activity is commonly used by firms in other sectors. Second, the survey results also show that respondents are not analysing the profitability of customers, yet they are prioritising their most profitable customers, which appears to be inconsistent as prioritising valuable customers seems impossible without first analysing customer value. Third, the relationship marketing activity that was most often implemented is 'maintaining ongoing relationships with customers', yet this is unexpected as the literature review indicated there is little repeat purchase intention in the construction market. Therefore, questions regarding these activities were added to the interview schedule to further explain these results.

5.7 Conclusion to the Chapter

Key to the approach taken in this study was utilising the findings from Phase One to provide a more focused approach in creating the interview schedule, with the aim of providing a greater depth of knowledge in answering the research question. The strategy was to identify the survey findings that were unexpected or inconsistent with the literature review and add them to the interview schedule. In this way, the findings would provide a framework for Phase Two of the research. To this end, the survey instrument was designed around the characteristics of complex customer relationships, and relationship marketing activities.

The survey findings show that eight of the nine relationship characteristics that define complex customer relationships are evident within the sample of Australian construction firms, which reinforces the suitability of industry representing a valid context for this research. The relationship marketing orientation findings indicated that the managers in the sample firms possessed were positively inclined towards relationship marketing. However, the findings also indicated that respondents are not actually engaging in the array of relationship marketing activities as suggested by the literature review. A detailed discussion of the findings from Phase Two will be presented in the following chapter.

Chapter Six

Phase Two Interview Findings

Chapter 6: Phase Two Interview Findings

6.1 Introduction to the Chapter

As was noted in Chapter Five, the qualitative phase of this study aimed to explain the perceptions of Australian construction firms regarding the application of relationship marketing within the context of project-based markets. The explanatory sequential design used for this research consisted of two phases, with the survey results (Phase One) providing insight and a breadth of understanding of the Australian construction industry to guide and direct the data collection and analysis of the interviews (Phase Two). This design allowed for a more focussed approach when the interview schedule was being devised, with the qualitative findings subsequently providing a greater depth of knowledge (Tashakkori & Teddlie 2010). Overall, Phase Two interviews sought to explain the unexpected or inconsistent survey results, which differed from the conceptual model (Figure 5) presented at the end of Chapter Three. Within this context, the purpose of this chapter is to present the Phase Two findings.

This chapter commences by providing an overview of the characteristics of the interview participants. As can be seen, the interviewees represented small to medium-sized Australian construction firms from Queensland, Tasmania, and Western Australia. Subsequently, the interview findings are separated into the two main hierarchical themes that were developed from the literature review and the conceptual model: that is, complex customer relationships, and relationship marketing activities. Within these two themes several sub-themes emerged from the analysis: the evolving emphasis of customer relationships; the dynamic nature of emotions; the importance of customer referrals; the inefficiency of the tendering process; the limitations of service recovery; customer loyalty programmes; prioritising valuable

customers; and maintaining ongoing relationships. The concluding section of this chapter provides a summary of the Phase Two findings which will form the basis of the discussion in Chapter Seven in respect to the research questions.

6.2 Interviewee Characteristics

At the end of the survey in Phase One, respondents were asked if they were prepared to participate in Phases Two of the research project. A total of 53 builders expressed interest in participating in the second phase. From these volunteers, participants were selected based on their location and business type. It was not viable to travel to each state to conduct interviews, so it was decided to conduct interviews in three states. Queensland had the highest number of responses due to the large number of email addresses available from the government registration list. Tasmania and Western Australia had the next highest number of responses. As such, these states were the most suitable for data collection and therefore used for the interviews.

A total of nineteen Australian construction firms were involved in the interview phase. As discussed in the Research Method chapter, these businesses ranged in terms of their general characteristics. For each construction firm, one representative was interviewed. In most cases, this was the registered builder. For the remaining firms, the interviewee was the person responsible for the marketing management of the construction firm. The interviewee characteristics are presented below (

Table 21).

Table 21: Interviewee Characteristics

ID	State	Licensed Builder	Marketing Manager	Type of Customers	Number of Employees	Years in Business	Buildings per Year	Approximate Turnover	New Homes	Units or Apartments	Renovations	Commercial	Marketing Awards
Builder 03	QLD	Yes	Yes	B2C: Mostly Consumers	3	28	5	Less than $1 million	No	No	Yes	No	Yes
Builder 07	QLD	Yes	No	About an even mix of B2C/B2B	25	18	9	$10 to $50 million	Yes	No	Yes	No	No
Builder 06	QLD	Yes	Yes	B2C: Mostly Consumers	2	20	3	Less than $1 million	No	No	Yes	No	No
Builder 02	QLD	Yes	Yes	B2C: Mostly Consumers	5	20	5	$1 to $5 million	No	No	Yes	Yes	No
Builder 01	QLD	Yes	Yes	B2C: Mostly Consumers	4	30	5	$1 to $5 million	No	No	Yes	No	No
Builder 05	QLD	Yes	Yes	B2C: Mostly Consumers	90	15		Retired	Yes	No	Yes	No	No
Builder 04	QLD	Yes	Yes	B2C: Mostly Consumers	1	20	6	$1 to $5 million	Yes	No	Yes	No	No
Builder 16	WA	Yes	Yes	Other (Government)	8	5	60	$1 to $5 million	Yes	Yes	Yes	No	No
Builder 17	WA	Yes	Yes	About an even mix of B2C/B2B	2	20	4	$5 to $10 million	Yes	Yes	Yes	Yes	No
Builder 14	TAS	Yes	Yes	About an even mix of B2C/B2B	7	3.5	15	$1 to $5 million	Yes	Yes	No	No	Yes
Builder 11	TAS	Yes	Yes	About an even mix of B2C/B2B	5	25	150	$1 to $5 million	No	No	No	No	No
Builder 15	TAS	Yes	Yes	B2B: Mostly Businesses	4	6	4	$1 to $5 million	Yes	Yes	No	No	N/A
Builder 19	WA	Yes	Yes	About an even mix of B2C/B2B	30	120	50	$5 to $10 million	Yes	Yes	Yes	Yes	No
Builder 10	TAS	Yes	Yes	B2C: Mostly Consumers	2	17	3	$1 to $5 million	Yes	No	Yes	No	No
Builder 13	TAS	Yes	Yes	B2C: Mostly Consumers	0	44	4	Less than $1 million	No	No	Yes	No	Yes
Builder 08	TAS	Yes	Yes	About an even mix of B2C/B2B	0	30	10	Less than $1 million	Yes	No	Yes	No	No
Builder 18	WA	Yes	Yes	B2C: Mostly Consumers	1	11	10	$1 to $5 million	Yes	Yes	Yes	No	No
Builder 12	TAS	Yes	Yes	B2C: Mostly Consumers	9	35	7	$5 to $10 million	Yes	Yes	Yes	No	Yes
Builder 09	TAS	Yes	Yes	B2C: Mostly Consumers	15	48	70	$10 to $50 million	Yes	No	No	No	Yes

Source: Research presented in this thesis.

Table 22: Characteristics of Survey Respondents and Interviewees

	Survey Mean	Survey Median	Interv. Mean	Interv. Median
Number of employees	34	**4**	11	**4**
Number of projects per year	45	**8**	23	**7**
Years of business operation	23	**20**	27	**20**

Annual Turnover	**Survey No.**	**Survey %**	**Interview No.**	**Interview %**
Less than $1 million	65	38%	4	22%
$1 to $5 million	61	36%	9	50%
$5 to $10 million	17	10%	3	17%
$10 to $50 million	19	11%	2	11%
$50 to $100 million	3	2%	0	0%
More than $100 million	6	4%	0	0%

Business Type	**Survey No.**	**Survey %**	**Interview No.**	**Interview %**
About an even mix of B2C/B2B	52	23%	6	32%
B2B: Mostly Businesses	48	21%	1	5%
B2C: Mostly Consumers	109	49%	11	58%
Other (Government)	15	7%	1	5%

Source: Research presented in this thesis.

Of the nineteen participants interviewed for Phase Two, all were employed in small to medium-sized construction firms[1]. Ten of the firms employed between 1 and 4 direct employees (excluding sub-contractors); six of the construction firms had between 5 and 19

[1] The Australian Bureau of Statistics defines a smalls business as a business employing 5 or more people, but less than 20 people; and medium business as those employing 20 or more people, but less than 200 people.

direct employees, and the remaining three had between 20 and 50 employees. The annual turnover of the construction firms participating in Phase Two differed. Half of the firms were in the $1 million to $5 million category; however, several had a turnover of less than $1 million. Regarding the type of customers served, the majority (n = 11) of the construction firms serviced consumers in the residential construction market. A second group (n = 6) served both consumers and businesses; the minority (n = 2) served other businesses or government contracts. The median business operation time was twenty years, and the shortest time for business operation was three and a half years. When compared with the characteristics of the survey respondents, these interviewee characteristics are reasonably proportionate and representative of the construction firms that participated in Phase One.

6.3 Complex Customer Relationships

The aim of this thesis is to determine the extent that relationship marketing theory transfers to an industry context where complex customer relationships are the norm. Consequently, this section sets out the perspectives of interviewees from Australian construction firms regarding the nature of the relationships they have with their customers. Clearly the issue of complexity is crucial here, and the first major theme identified in this research is labelled as complex customer relationships. Five sub-themes regarding the complex nature of relationships with customers emerged from the analysis on interview data: 1) the evolving emphasis of customer relationships; 2) the dynamic nature of emotions; 3) the importance of customer referrals; 4) the inefficiency of the tendering process; and 5) the limitations of service recovery. These sub-themes noted above are discussed in the following sections.

6.3.1 Evolving Emphasis of Customer Relationships

As highlighted in Chapter Five, the survey conducted in Phase One demonstrated that the sample of construction firms emphasised the development of customer loyalty and securing repeat business more than focusing on contractual compliance. This is in contrast to the conceptual model underpinning this thesis (Figure 5), which proposed that customer relationships in project-based markets would mostly emphasise legal-centric relationships due to the customer's lack of repeat purchase intention, the firm's reliance on contracts, and the frequency of disputes within these markets. To resolve the discrepancy between the conceptual model and the survey findings, Phase Two of this research asked interviewees about their perceptions relating to legal-centric versus social-centric relationships with their customers.

Analysis of the interview data reveals an evolving emphasis of the customer relationship, whereby the construction firms appear to change the focus of the relationship according to the different stages of the project. At the beginning of a project, the firms actively communicate and interact with the customer in a two-way conversation to develop a trusting relationship. The interviewees discussed how at the initial stage of the relationship, before the contract is signed, they ask questions to generate active communication and to develop a rapport with the customers so that they feel comfortable in signing the contract:

> It depends on what stage of the build we are at. So obviously, initially, when they first come in, we would then talk to them a couple of times… how are you going, any further interest in the project? (Interviewee Twelve)

> It is so that you have a certain rapport with them before you even get to a contract stage. If they feel comfortable with you, they just might drop talking to the other ones. (Interviewee Four)

> It is worth spending a whole hour, or two hours going through every single point and item in the contract at the time of signing, and when they are ready to sign just stop them and say, are you sure you want to sign? (Interviewee Six)

At the pre-contract stage of the relationship, the interviewees believed that their potential customers could be considering different project designs and deciding between different construction firms, and this 'active' communication or interaction helped the firms to compete effectively in the market. Within the pre-contract stage, the focus of the relationship for the construction firms is social-centric, so that the customer will cease communication with other competitors and select their firm to sign a contract. This emphasis changes in the post-contract stage, in which the interviewees reported changing their relationship focus away from establishing trust and rapport, to completing the project and delivering the agreed contract. The focus of the relationship for the construction firms becomes more legal-centric, with a focus on managing the contract and specifications. The following comments illustrate this legal-centric focus:

> Once they have signed up to start the design process, it is then about managing the contract, the plan, the design. (Interviewee Twelve)
>
> During the course of the job, it is more about the finishes, how we're going to get there, and what sort of door do you want, how many door locks, what are your paint colours. (Interviewee Four)

At the *post-contract* stage of the project, the customers assume more of a 'passive' role in the relationship. This is evident in the way the interviewees discuss the customer relationship once the contract is signed: the customers are 'kept in the loop', given information, 'taken through the contract', 'talked through the system', so that there is less interaction and interruption, and communication is 'more scheduled':

> I think relationship… at the beginning, obviously with negotiations, price and planning, you have to get to a point, but from then on, I like to keep them in the loop. (Interviewee Two)
>
> Once you get past… once they choose what they want, you then get into the contractual side of it, and… we always believed in simplifying and systemizing. See, you have got to have a system that you follow the process… As you talk them through the system, they are relaxing with you. (Interviewee Five)
>
> The more you can do to start with, in the initial stages, the easier it goes after that. Because if you can get a system in place where they have already selected their colours, their styles, their vanity type thing, well then there is not that interaction needed and that interruption. (Interviewee Eight)
>
> Because we establish all the contracts, specs, everything like that in the beginning. So that is the busy time of communication with them. Through the build, let's try and be a lot more scheduled. (Interviewee Fourteen)

This shift from active to passive communication with the customers is indicative of an evolving emphasis of the customer relationship. The emphasis of the customer relationship at the beginning of the project was reported as being 'social' in order to procure the customer's business, but once the contract has been signed, the emphasis of the relationship changed to being more 'legal' in order to manage the contract deliver on their contractual obligations.

While the emphasis of the relationship changes, the construction firms also try to balance both the social and legal objectives of their customer relationships. During construction, interviewees emphasised the legal nature of the relationship over the importance of securing or maintaining customer loyalty. Yet, some of the interviewees also expressed a desire to achieve both of these relationship outcomes. For example:

> So, it is not to try and keep customer loyalty, well actually it is to a certain extent, but it is just there to keep the contract first and foremost under control, and then you can make sure that they are happy and get that loyalty

> and trust… So, there is a certain amount of loyalty that you want to try and maintain, but that is secondary. (Interviewee Four)
>
> I actually do both. So basically, I make sure, even if… I have got nothing to say to them at all, if everything is going fine on site, then I will send an email or place a call, or make sure that I say so, that I keep in touch. (Interviewee Six)
>
> Umm, 50/50 I suppose. You do have to communicate with them a lot for contractual reasons, throughout the building process… And then, we do like to keep in touch with them because it just makes everything easier, really in the long run. (Interviewee Fifteen)

The social objective of trust and loyalty appear desirable because they result in a cooperative relationship, yet the legal objective of contractual compliance is a priority. Whilst the construction firms interviewed consistently sought the benefits of both a social-centric relationship and a legal-centric relationship, sometimes the effort required to establish a solid legal foundation has a negative impact on their ability to be perceived as trustworthy by the customer. The following comment from Interviewee Fourteen illustrates this:

> I guess it can come across as a little bit blunt when you are presenting contracts, and this is what you have to do, sign here, these are the rules and regulations, this is what you have to do as a client, this is what we have to do as a builder. And it can get people off guard a bit, especially if you know them, presenting those things. (Interviewee Fourteen)

Therefore, it is evident from the data presented above that there is an evolving relationship focus, whereby construction firms try to balance the legal and social objectives of their customer relationships over time. As such, whilst there initially appears to be a discrepancy between the model developed in the literature review and the survey results, the qualitative data reveals an evolution of the customer relationship throughout the progression of the project. This finding aligns with recent research which shows that the firm's perception of the chief function of contracts shifts across different stages of the customer relationship (Shen et

al. 2020). In this research, customer relationships start as social-centric at the beginning of the relationship, with a focus on trust and rapport, but evolve into a more legal-centric relationship after the contract has been signed, with a focus on contractual compliance.

6.3.2 Dynamic Nature of Emotions

The survey conducted in Phase One showed that the sample of Australian construction firms thought that their customers are emotional, and that they are also rational throughout the project. This is in contrast to the conceptual model developed in Chapter Three, which proposed that customers develop emotional attachment to the project that impacts their rational decision making. To examine this notion that customers may be both emotional and rational, interviewees were asked to explain to what extent their customers are emotionally invested in the construction process, and how this impacts their ability to make rational decisions.

The interviews confirm that the participating construction firms consider their customers to be emotionally invested in the construction process, and this emotional attachment often impacts the customer's rational decision making throughout the project. While emotion and rationality are not mutually exclusive, the interviewees considered customer emotion to often override logic, which results in some 'unusual' decisions and makes customers difficult to work with.

> In a perfect world, it would be lovely if everyone was rational, but people aren't rational… a lot of decisions people… call it a gut decision, or whatever, it is emotion overriding logic. (Interviewee Seven)
>
> They are definitely emotionally invested. … If they make a call [decision] which I think would be a bit strange, or weird, or have cost implications

> that they are not aware of... I say, look I can do that, but that is not normal. (Interviewee Four)
>
> I can't trivialise that experience for them, although sometimes you want to tell them to go and get stuffed, and you get really bloody pissed off with their carry on, but they are giving me the opportunity to give them possibly one of the biggest investments in their life, that they are extremely emotionally invested in. (Interviewee Eighteen)
>
> Particularly with residential, you are affecting people's homes, their money, and their families, so it the three most personal things that they have. Which depending on the people's personalities can get them really stressed, and in terms of rational decisions, affect that. (Interviewee Nineteen)

The analysis of the interview data also reveals the dynamic nature of customer emotions throughout the project. Interviewees reported that customer emotions vary throughout the construction process, and typically change from strong positive emotions to strong negative emotions:

> We found… the renovation area…, the new home area is a lot easier, but a renovation, more often than not, the people are in the home, they are more conscious of what's going on, they are daily looking at it; and so, the emotional, let's even say the delight or the trauma, is very high. (Interviewee Three)
>
> It is one of the things that our team are really good at understanding that they can be really emotional, whether that be really excited or really… we call it providing a solution to their problem. So, when they ring up, and they are stressed about something, we know it is a problem that we can solve. (Interviewee Nine)

Sometimes the emotional attachment creates issues throughout the project, which firms can manage through communication and helping customers to learn more about the technical aspects of the product. The interviewee quoted below discussed how they can resolve issues relatively easily by making customers more aware of what is involved in the construction of the project:

> I also think that they see a lot of small things as a big issue. But then when we talk it through, they realise that it is not a major issue. And you generally sort it relatively easily and quickly. But because they are unaware of what is involved, everything is a big deal to them. (Interviewee Eighteen)

Yet once the customers experience strong negative emotion, it is difficult to change their emotions back to the positive:

> So, there is a fine line between how you manage that emotion, and how you lose that emotion. It is very hard. Once you have lost it, it is hard to win it back. Yep, very, very hard. (Interviewee Twelve)

Further to the dynamic nature of customer emotions throughout the project, interviewees described how customers in these markets often have unrealistic expectations, which adds to the emotional intensity experienced throughout the project. These expectations are often misplaced because the technical nature of the product makes it difficult for customers to know what to expect. The interviewees report how their customers do not know what they are getting, and how sometimes their budget does not meet their unrealistic expectations:

> Yeah, sometimes they are [emotional]. A lot of customers don't know what they are getting until they see a frame, or the cladding is on, they see it, they have an idea in their head, but that is the first thing they know what they are really getting. There is always a difference between what their reality is and what the job is. (Interviewee Eight)

> Especially… the first home they have got a bit of an expectation. Sometimes their budgets don't quite meet their expectations. So, we have to move around that and not offend. So, at times, and most of the time, people are very emotionally involved in the process. (Interviewee Fourteen)

> They are involved in that manner, but it is very tricky. Because people tend to not have a good idea about how much things actually cost, they tend to go to as much as they possibly can spend. They spend as much as possible, and then a bit more, if possible. So, the emotional issues that may arise come from not being able to afford their dreams, I think. (Interviewee Six)

The discrepancy between what customers expect and the reality of what they receive generates a negative emotional response. This difference in expectation and reality is evident in how the product manifests throughout the project. Throughout the design stage, customers make decisions based on what they expect the building to be. When the building is actually constructed, the difference between the desired product and revelation of the actual product causes an emotional reaction for the customers because of their unrealistic expectations.

Cleary, emotional attachment is not a static trait within the relationship that impacts all customer decisions. Rather, customer emotion varies, and this needs to be carefully managed by the construction firms. This finding aligns with research by Balaji, Roy and Quazi (2017) that demonstrates emotion regulation influences customer response behaviours during service failure, which can be managed by customer emotion regulation strategies. The research in this thesis shows that often customers are emotional and are inclined to make irrational decisions, which makes it difficult for construction firms to manage the customer relationship and maintain customer satisfaction while completing the project. Firms are able to manage this customer emotion through communication and customer learning, however once the customer experiences strong negative emotions, it is difficult for firms to change it back to positive emotions.

6.3.3 Importance of Customer Referrals

As presented in Chapter Five, the results of Phase One indicated that Australian construction firms use customer satisfaction for the benefits of repeat purchasing behaviour. This is in contrast to the conceptual model (Figure 5) which proposed that project-based firms use customer satisfaction with a short-term focus on amicability (easy to work with), rather than a

long-term approach of building customer loyalty with the intention of continuing the relationship for repeat purchase intention. To explain why construction firms would focus on continuing customer relationships for repeat purchase intention, Phase Two asked interviewees if they keep their customers happy so that they are easy to work with during the project, or so that they will build with them again.

The data analysis reveals that the construction firms tend to confuse the concepts of repeat purchase intention and customer referrals. In discussing repeat purchase intention, interviewees reported that they like to keep their customers happy for repeat business through customer referrals. This is because they do not distinguish between the same customer building again, or their existing customers referring their business on to new customers. To the construction firms, the distinction between repeat purchase intention and customer referrals is not necessarily important because the outcome is essentially the same. Interviewees stated that they try to focus on both an amicable relationship and continuing the relationship for repeat business; however, when this idea was explored in more detail, the discussion turned to that surrounding the benefits of customer referrals:

> I usually want a happy client overall, and both reasons… because you want to get paid at the end and they are not going to pay you if they are not happy, and if they are happy, hopefully they will refer us as well. (Interviewee Eleven)

> So, the focus is a little bit of both of those things, it is to keep the contract running smoothly and keeping people happy, and not making the situation more stressful for them, than it already is… Also, with the long-term view, I suppose that they might refer you to friends and family and other potential clients… (Interviewee Nineteen)

> Both, but especially that word of mouth marketing. It is so valuable. You can spend 6 to 12 months building a house for someone, and at the end of the day, if they are not happy, what they can say about you is more damaging than if you hadn't built that house. (Interviewee Nine)

> Both. It is both, yeah. Definitely much better if you can get on with the client, that is absolutely 100%. Regardless of who that client is, whether it is a private or whatever, certainly if you can get on with them, it makes it better for the guys on site, it makes it better for us, much less stress involved and that kind of thing, it can be quite stressful. Basically, we want them to tell all the people what we have done. (Interview Sixteen)

The importance of customer referrals compared with individual customer repeat purchase intention was particularly emphasised by Interviewee Four, who stated:

> It is not the customers that I will repeat the job for, it is their friends. That is how it works. So, I don't know, how many times have you built a house? And even by the time you're 50 how many times would you have built a house? So, it is not necessarily the repeat customer, because that question kept coming up in the survey, it is their friends. (Interviewee Four)

Consequently, although the survey responses in Phase One indicate that construction firms try to maintain customer satisfaction for an ongoing customer relationship, further analysis of the qualitative data shows that the ongoing relationship is not for the repeat purchase intention of existing customers, but rather new business through customer referrals. One reason why the survey results are so strongly in favour of customer satisfaction for relationship continuation, may be because interviewees did not differentiate between the same customer building again or the customer referring their business on to new customers. Therefore, the results of Phase Two show that construction firms are far more concerned with customer satisfaction for customer referrals, rather than repeat purchase intention.

This finding also explains the unexpected survey results regarding single purchase intention. The survey conducted in Phase One found that the Australian construction firms sampled have mostly new customers, but also that most customers are repeat customers. This result

appears to be contradictory, as customers are either new customers or repeat customers. Yet the lack of differentiation between repeat purchase intention and customer referrals means that when construction firms report that they have repeat customers, they include customers who have been referred by previous customers. This explains how the majority of customers can be both new customers who are building for the first time, as well as being referred by customers who have built with the firm before.

The importance of customer referrals is further explained by the lack of repeat purchase intention within the market. Australian construction firms also reported a that most of their customers are building for the first time, as their customers do not repeat their purchases. As quoted below, the interviewees report that most of their construction work is for new customers:

> We are continually building new relationships with people, but most of our work is new contracts. (Interviewee One)
>
> I think, I couldn't put a percentage on it. It does happen, but I would say most of them are not repeat business, most of the time. (Interviewee Seven)
>
> Most are first time [customers]. (Interviewee Eleven)
>
> I would say the majority are first time [customers]. (Interviewee Eighteen)

Some interviewees were more specific and reported approximately 80 percent new customers and 20 percent repeat customers:

> No, a lot of times it was a new build. Over the last three years, I would say 80 percent would be new customers. (Interviewee Three)
>
> I reckon 20 percent [repeat customers], I have got it on my stats. (Interviewee Nine)
>
> I would say, again 80 percent [new customers] or something like that. Because I guess, a lot of people, unless they are a developer, don't build a house very often. (Interviewee Fifteen)

Others calculated the number of repeat customers per year or per job and it works out to be approximately 90 percent of their customers are new customers, and 10 percent or less of their customers are repeat customers:

> Umm, 90 percent new, and you would probably get one repeat per year, probably on average. (Interviewee Twelve)
>
> In the past 4 years since I have been running the business, we have had, maybe 1 in 12 or 15 that are returning. (Interviewee Fourteen)
>
> I have built more than one house for two or three of them, out of 200… The odds of me getting repeat business off the same client is pretty remote. (Interviewee Four)

Some even reported that they did not have, or expect to have, any repeat customers for their business:

> But the reality is, for many of us in this job, you won't get repeat business. (Interviewee Six)
>
> Well, no I never really think that they might come back. (Interviewee Thirteen)
>
> I don't think I have ever built two houses for the one client… (Interviewee Ten)

In explaining the lack of repeat purchase intention within this market, the interviewees reported that the reason is because customers do not have the need for another project for approximately 15 to 25 years:

> Every person only builds a house once every 15 years, so I decided, am I going to be around in 15 years or not. (Interviewee Five)
>
> Once you have done your extension or renovation, you are not going to hear about these people for 20 years, or 25 years, or never again. (Interviewee Six)

> More often than not, we would not build another new house for them for another 15 or 20 years. (Interviewee Nineteen)

Evidently, there is a lack of repeat purchase intention for customers of Australian construction firms. Moreover, the amalgamation of repeat purchase intention and customer referrals means that when construction firms report that they have repeat customers, they are including 'new' customers who have been referred by previous customers. This explains why in the survey, the sample construction firms reported both that the majority of their customers are new customers who are building for the first time, but also that most customers are repeat customers, as these customers have been referred by customers who have previously built with the firm. This finding aligns with research that shows customers contribute to firm profitability through indirect actions, which include referrals and influencing others via social networks (Kumar, V & Reinartz 2016). This finding is also supported by research which found referrals to be prominent in the value-adding stakeholder networks that play a role in the creation of customer relationships within Chinese construction firms (Badi, Wang & Pryke 2017). Therefore, customer referrals are crucial for firms within project-based markets such as the Australian construction industry.

6.3.4 Inefficiency of Tendering Process

The survey conducted in Phase One also demonstrated that the sample of Australian construction firms thought that their customers are selecting firms based on loyalty, rather than the lowest price for a tender or quote. This is in contrast to the conceptual model (Figure 5), which proposed that the tendering process creates a barrier to developing valuable customer relationships based on loyalty. To resolve the inconsistency between the conceptual

model and the survey results, Phase Two of this research asked interviewees if they thought the tendering process was a barrier to winning customers based on relationships.

Overall, the interviewees consider the tendering process to be an inefficient use of organisational resources. These firms invest a substantial amount of time, effort and money into submitting tenders or quoting new projects, which often does not provide a viable return on investment given it is common for each customer to source multiple quotes. As stated below, the interviewees expressed their frustration and opinions in dealing with the inefficiencies of managing the tendering process:

> I mean, it can be pretty frustrating because you do spend a lot of time sitting in an office working out… like emails, back and forth with plans, getting prices, putting it all in a spreadsheet, and stuff like that. It is probably 25% that you do get, of the work and 75% it is probably a waste of time. (Interviewee Fifteen)
>
> When I started to realise that it was costing us, sometimes in excess of $20,000 to $30,000 to get a job before we have even walked on the site, it just becomes unrealistic. (Interviewee Eighteen)
>
> The tender process, in my opinion, is generally who makes the biggest mistake wins the job. That is the harsh reality. (Interviewee Twelve)
>
> Over the years, it has changed. Before the internet it was more face-to-face. We email quotes out, so when people email us, sometimes they go straight to the price, they don't see everything what you have actually quoted. So that is negative to the way we quote these days. (Interviewee Eleven)

Due to the perceived inefficiency in the tendering process, many of the construction firms interviewed avoid it as a method of procuring new business. Furthermore, the distance between buyers and sellers from the tendering process creates an over emphasis on price, because the primary selection criterion for customers in selecting their service provider is the lowest cost or the cheapest quote.

> Because then it is only based on price. And because often a tender process, plans will come to you, you have had no interaction with the client, you don't know them – they don't know you, and then it is all based on price. (Interviewee Twelve)
>
> The building game of quoting, people getting 4 or 5 different companies to quote on a job, they always take the cheapest. (Interviewee Thirteen)
>
> Every single tender that I have ever entered into, has always gone to the lowest bidder. (Interview Eighteen)
>
> Ninety percent of people say it is not based on a cost thing, but 99 percent of the time the tenders are awarded to the cheapest tender. (Interview Nineteen)

This emphasis on price means that some construction firms avoid using the tendering process to procure new business. When customers choose a builder or construction firm based primarily on price, the construction firms prefer not to invest resources into submitting a tender or providing a quotation. Several interviewees stated that they avoid competing only on price, and therefore decline to submit tenders on the vast majority of the invitations they receive:

> I try to avoid winning a job purely on price. (Interviewee Two)
>
> So, when it comes down to a tender, you know it is just based on price and that is all. And a lot of those tend to be involving an architect, and I don't do them. (Interviewee Eight)
>
> I refuse to tender on probably 80 percent to 90 percent of jobs that get offered to me. Purely because I think it is a fault ridden process. It just doesn't work effectively unless it is being administered properly, and even when it is, I think it is not the right way to go. (Interviewee Nineteen)
>
> Generally, I will ask how many people are tendering the job. If it is more than three; I am not interested. (Interviewee Twelve)

The inefficiency of the tendering process also leads to an increased emphasis on customer selection. Some of the interviewees explained that when selecting which customers to

provide quotes, and which quote invitations to decline, they gave preference to customers with whom they have an existing relationship with. This existing relationship can be with the customer directly, or with the architect the customer is using, as explained by the following comments:

> Getting invited to tender on something like that on a job where you don't know the person, or you don't know the architect, I mean, those are the biggest waste of time. You get a poor return on investment and time on that because you are just one out of however-many-builders they are sending this out to. (Interviewee Seven)
>
> So, the only time I think tendering works is if the client or the architect has a relationship with 2 or 3 builders, maybe. And they know that they are similar quality builders, that are going to do similar quality work. (Interviewee Nineteen)
>
> In the regard where you are recommended by a designer, say an architectural designer, something like that, the majority of them would only recommend, say 2 or maybe 3 builders. Which is not too many that the homeowner can go around and meet them all once all the prices have been submitted. (Interview Eighteen)

When the architect (or designer) has an existing business relationship with experienced builders, it enables the architect to match the service provided by the construction firm with the customer's expectation of service. For example, if a customer desires a high-quality project, and the architect has a good relationship with a high-quality construction firm, the architect is able to match the needs of the customer with the competencies of the service firm rather than send an open tender out to many different construction firms with whom they have no existing relationship. This also increases the chance of the construction firm being successful in winning the tender, as construction firms are investing resources (i.e. time, effort, and money) in providing a price to customers that have been matched to their business based on the quality or type of service they provide.

To be more efficient within the tendering process, analysis of the interview data shows that some construction firms are able to segment their customers based on their value to the firm through their willingness to pay for pricing quotations. The more willing a customer is to pay the firm to provide them with a quotation, the more valuable these customers are to the firm. As explained by the interviewees below, they ask prospective customers to pay a fee, which covers the preparation of quotations:

> So, we try and engage them, basically, we are asking them to put your hand in your pocket and pull out some money because that shows that you are serious about what you want to do. And if people go… eeewh eeewh ahh… then we back away. (Interview Eighteen)
>
> We don't compete on price, and we charge for quotes. …We don't do a quote unless we get paid for it. That's it. (Interviewee One)

Customers who are willing to pay for a quotation are more likely to want to proceed and sign a contract with the construction firm. This makes these customers more valuable, as the time and effort used in providing the quote are recuperated through the project revenue. Customers who are not willing to pay for a quote are less likely to want to pay for the services of the firm who provided them with the quote or tender.

It is evident then, that some construction firms avoid using tenders to procure new business due to the inefficiencies within the tendering process. This finding aligns with previous research which shows that smaller firms are less likely to tender for public contracts due to prohibitively high transaction costs and their unfamiliarity of tendering processes (Flynn & Davis 2017). The method of awarding projects to the lowest bidder is inefficient, which leads Scheepbouwer, Gransberg and Lopez del Puerto (2017) to call for the construction and

engineering industry to refocus its efforts on enhancing project cost certainty, rather than merely searching for means to accrue cost savings. The research in this thesis shows that these inefficiencies are because the tendering process creates a barrier to developing valuable customer relationships based on loyalty. Construction firms try to bridge this barrier by increasing their emphasis on customer selection. This is done by preferencing quotation requests from architects with which the firm has an existing relationship, and/or by charging new customers for providing them with a quotation.

6.3.5 Limitations of Service Recovery

The survey conducted in Phase One indicated that the sample of Australian construction firms consider service recovery simple to resolve. This is in contrast to the conceptual model (Figure 5), which proposed that service recovery is difficult and intricate because of repeated deviation throughout the project. To resolve this inconsistency between the conceptual model and the survey results, Phase Two of this research asked interviewees if they think service recovery is more difficult in the construction industry compared to other industries.

Analysis of the interview data reveals that construction firms consider service recovery to be simple in a functional way, but difficult from a relationship perspective. From a functional perspective, if something goes wrong on the project the construction firm can 'pull it down' and fix it, or just replace individual components. This functional view of service recovery is simple for construction firms when just considering their ability to fix technical problems. The interviewees below explain the simplicity of fixing mistakes or making repairs during the project:

> If something is not right, pull it down and do it again. It is not that hard. It is just a pain in the arse when you have got to pay for it. (Interviewee Eighteen)
>
> If it is our stuff up and we supplied the wrong colour, well we will pull that wall off and put it back up again, or whatever. (Interviewee Eleven)
>
> Retail would probably have to give the whole money back or swap the item, and in that case, we do that too. Like sinks or taps or things that are not working, we have to swap them or replace them, and repair. (Interviewee Three)

Service recovery becomes more difficult and intricate when viewed from a relationship perspective. The construction firms consider service recovery to be more problematic when there is a disagreement between what the customer considers to be a service failure, and what the firm considers to be 'normal' or to industry standards. Several interviewees explained how disagreement over defects adds to the difficulty in resolving these issues:

> The problem arises when the owner pipes up and they want something else fixed and it is not actually a defect, and that is when there is a problem. So, I find that what I have got to do then, is I sort of have got to talk to the consumer rationally and tell them that it is not a defect. (Interviewee One)
>
> Like I have a client at the moment, she is being completely unreasonable, and we are trying our best to resolve it, because we don't want to go to court or go to that channel, but sometimes you just can't keep a client happy. (Interviewee Eleven)
>
> So, then I will act as the middleman between the builder [tradesperson] and the client to separate the heated situation, if there ever is one. And quite often, more often than not, clients might just be having a bad day, or they have got something in their head that they hadn't asked about. (Interviewee Fourteen)

The multiplication effect of repeated deviation is also a serious issue that makes service recovery more difficult to manage in project-based markets. When there is an inappropriate or inadequate response to a service failure, it is called a double deviation (Bitner, Booms &

Tetreault 1990). The first deviation is the service failure, and the second deviation is the failed recovery. When firms are repeatedly unable to recover from service failure, the repeated deviations have a negative multiplication effect on the customer relationship. Customer dissatisfaction escalates into an uncooperative relationship where the customer starts actively looking for problems throughout the project. Interviewees explained that once the customer loses trust in the firm through repeated service failure, it is very difficult for the firm to recover the trust and return to a mutually beneficial relationship:

> Yes, if things can inflate, if you know what I mean, if one thing is wrong then they are looking for another thing that is wrong, and then there is multiple things wrong and then they start picking on everything. (Interviewee Three)
>
> I have been caught before where you think you are doing everything right by the client, but it turns pear-shaped and it doesn't matter what you do or say, you cannot win them over once they've got their back up, that's it. And it is just over trivial matters. (Interviewee Ten)
>
> As I have said to the men, if we get any client offside it is extremely difficult to get them back onside. (Interview Thirteen)

Due to the impact repeated deviation has on customer satisfaction, it is it very important for project-based firms to prioritise maintaining customer satisfaction when dealing with service recovery. Despite the costs associated with rectifying work, it becomes a priority to ensure that the customer relationship does not deteriorate. As stated by one interviewee:

> Getting back to your question about rectifying, our policy is: 'Just keep the client happy'. Keep the client happy! If we are going to lose margin or fixed expenses over it, I don't care. Just fix the problem. (Interviewee One)

Therefore, service recovery adds to the complexity of the customer relationship. In explaining the survey results from Phase One, service recovery is simple to solve from a technical

perspective, yet the analysis of the interview data in Phase Two shows that service recovery is difficult and more intricate when viewed from a relationship perspective. This finding is supported by the research by Basso and Pizzutti (2016) who found that double deviations intensify the trust violation from the initial service failure and that these recoveries require fundamentally different strategies than recovery from single deviations. This research shows that the multiplication effect of repeated deviation throughout the project can lead to an uncooperative relationship where customers start to actively look for problems throughout the remainder of the project.

6.4 Relationship Marketing Activities

This section sets out the perspectives of interviewees from Australian construction firms regarding the extent to which they adopt a relationship marketing approach to their business. Consequently, the second major theme identified in this research centres on the relationship marketing activities of these firms. Three sub-themes regarding the relationship marketing activities emerged from the analysis on interview data: 1) customer loyalty programmes; 2) prioritising valuable customers; 3) and maintaining ongoing relationships. These sub-themes noted above are discussed in the following sections.

6.4.1 Customer Loyalty Programmes

The survey conducted in Phase One indicated that Australian construction firms rarely use customer loyalty programmes. However, this is at odds with traditional relationship marketing literature, which suggests that customer loyalty programmes are used in a wide variety of industries as a means of incentivising customers to stay loyal to the firm. To explain the possible differences between the construction industry and other service

industries, Phase Two of this research asked interviewees about using customer loyalty programmes.

Not surprisingly, the main reason why construction firms consider customer loyalty programmes to be unsuitable is due to the lack of repeat purchase intention. The size and the value of the projects mean that customers who have previously built, do not have the financial capability to purchase another building or renovation. The interviewees quoted below explain that the monetary value of the projects limit the customer's intention to repurchase:

> I think that is probably the reason why. If we had smaller jobs, say they were worth $15,000 or $20,000 then we would know they are going to come back. (Interviewee One)
>
> I don't have to. I don't do repeat. ... But the thing is that, their next job, well they say we don't have any... we don't have another… we have just spent $400,000 with you [laughs]. We don't have any more money. (Interviewee Six)

The interviewees also consider the lack of continuous and regular consumption to impact repeat purchase intention. This is evident when comparing housing to other products that have more frequent purchases. The lack of ongoing desire for the service makes it impractical to implement a customer loyalty programme that rewards repeat purchasing.

> It's not like going down the road and buying, you know a packet of chips and a Mars bar or something, or a washing machine where you are going to be continually… you know? (Interviewee One)
>
> If someone buys 9 coffees and gets the 10 one, that is fair enough, but there is that much more involved in a house, nahh. (Interviewee Eight)
>
> I guess it is hard to do with homes. If it were cups of coffee or car servicing, or something a lot more regular… (Interviewee Fourteen)

Clearly, the lack of repeat purchase intention limits the usefulness of customer loyalty programmes. Customers do not repeat their purchases due to the size and value of the project, and there is no ongoing desire for these construction services. As such, customer loyalty programmes that reward repeat purchasing are ineffective within these project-based markets. This finding aligns with previous research which shows that many customer loyalty programmes are not successful (Berman 2006) the most popular activities for relationship marketing across a variety of industries (Stathopoulou & Balabanis 2016).

6.4.2 Prioritising Valuable Customers

The survey conducted in Phase One also found that the sample of Australian construction firms rarely analyse customer profitability. However, the survey results also showed that these firms sometimes prioritise their valuable (most profitable) customers in their decision making. This appears to be contradictory, as construction firms report that they are prioritising valuable customers without analysing which customers are more valuable. To explain this contradiction, Phase Two of this research asked interviewees about the extent they calculate the return of relationship investment, and the extent they prioritise valuable customers in their decision making.

The data analysis shows that the participating construction firms have the notion that all customers should be treated as equally valuable. This idea of equality means that the firms try to treat all of their customers in the same way, regardless of their value to the firm. This desire for equality is explained by the interviewees:

> We treat them pretty much equally, actually. Yeah, nahh… as I said, we only have 8 jobs going at once. And all of them are big and valuable [laughs]. I mean, some of them are smaller than others, but that client, I would like to think that they get the same continuity of service that the big jobs have. (Interviewee Seven)
>
> Look, each person is important to us. If we do the right thing by them, they will tell other people 'They did treat me right, it is only a garage but, you know, we went through the process'. It is exactly the same process as everybody else. (Interviewee Twelve)
>
> They are all the same… If you can see one client, if the relationship is becoming irreversible, irreversibly damaged, if it is untenable, there is no sense spending too much time trying to get it back on track if it can never be back on track. You've just got to minimise the damage and say, well you are bad, I am out of here as quick as possible. (Interviewee Four)
>
> What we do get, is a lot of surprises where the people you think that are not interested turn out to be… you know… the next thing you are building for them, you have picked up a $600,000 contract. So, I treat everyone the same. (Interviewee Eighteen)

Despite the notion of customer equality, further analysis of the data reveals some dissonance in the way construction firms report the way they treat their customers. Interviewees state that in principle they want to treat customers equally. Rather, in practice this is difficult, and firms start to preference their more valuable customers:

> But basically, all clients are treated equally… it depends on what is going on. Sometimes when you have got a few jobs on, it is fairly difficult that you have to treat different clients equally. (Interviewee Thirteen)
>
> It comes down to that relationship you have, and if they are expecting more for nothing, well then it becomes very difficult to treat them the same as someone who wants more and is willing to write out the cheque book straight away without any questions asked. (Interviewee Ten)
>
> Now we don't treat any of our clients differently, but I guess, if people have got a lot of money to spend, then we have to work with them. … So, we try not to… not prioritise one and prioritise the other, but I guess there is a degree of leaning towards those clients that know what they want and have got the money there, and they want to go. (Interviewee Fourteen)

As such, prioritising customers for some firms is not a deliberate marketing strategy in managing customer relationships. Rather, it is more inadvertently adapting their customer management techniques to suit the opportunities that become available when customers are decisive and are more willing to spend their money.

In determining how firms analyse customer value, analysis of the interview data reveals that construction firms mostly use intuition to determine which customers are more valuable, rather than a specific formula or program. This intuition is acquired through years of experience which helps the construction firms to determine which customers are going to be cooperative, and which customers are going to be problematic. This was explained by interviewees as a feeling they get through interacting with the customer:

> No, I do not really measure it. I just wing it, I suppose. I have been doing it for a long time and I've just got a feel for it. … Yeah, I think I can get a feel for it by judging was the person I think they are, or whether they are going to be trouble. (Interviewee Two)
>
> Oh well I got them to talk a bit about their idea, what they wanted, but without even having a look at the plans… talking turkey, so to speak, just trying to establish a rapport and see whether we can talk to each other. I find that… I go with gut feeling. (Interviewee Six)
>
> Obviously, I mean again, that is just a gut feeling on the need of the client, because each client will be different. Some you will have to invest more in to get them across the line, and really that is up to me to decide. (Interviewee Twelve)

Interviewees also stated that the reason construction firms use intuition to determine which customers are more valuable or profitable is because they consider it impossible or unviable to accurately measure return on relationships:

> Well, it is immeasurable. It is not measurable. (Interviewee Eight)
>
> You can't really quantify that, and it becomes very frustrating at times where you spend so much time with a client and then they don't build because it is too dear. (Interviewee Ten)
>
> I never analysed that part. I analysed everything else. I had got to the point that I had always had business. (Interviewee Five)

Interestingly, several intuitive techniques were used in determining customer value by using a variety of different customer attributes. These include the customer's professional occupation, their financial capacity, their life stage, their level of knowledge or experience, their agreeability, and their existing relationship with the firm. These attributes are used in determining customer value before signing a contract, which is beneficial because the firms need to decide if the relationship with the customer is expected to be profitable or unprofitable before legally committing to a continuing relationship. When discussing customer value and return on relationship investment, interviewees also explained the analysis of customer value based on the benefits the customer provides after the project has been completed through customer referrals:

> If the client you worked for previously referred them on was a good client, most of the time their circle of friends will have similar sort of ethics and be good to work for as well. (Interviewee Nineteen)
>
> If the relationship goes bad that client will tell 1000 people, if the relationship is really good at the end that client might tell 50. It is that sort of difference, so if you have a bad job you can… That is a really bad result, so you have got to keep… It is really important… It is word-of-mouth, that is what I rely on. (Interviewee Four)

Therefore, the construction firms rarely analyse customer value using traditional marketing techniques. Instead these firms use their intuition to determine which customers are more valuable. The intuitive analysis technique aligns with research by Calabretta, Gemser and

Wijnberg (2017) that states that intuition and rationality can play important roles in strategic decision making, and research by Schmitt, Skiera and Van den Bulte (2011) which found that referred customers are more valuable to the firm. This analysis of customer value allows the construction firms to prioritise their more valuable customers based on intuition without measuring customer value or return on relationship investment.

6.4.3 Maintaining Customer Relationships

The survey conducted in Phase One indicates that the sample of Australian construction firms surveyed often try to maintain an ongoing relationship with customers. This result was unexpected, as the literature review set out that project-based firms have little incentive to maintain ongoing relationships due to the lack of repeat purchase intention within these markets. To explain this difference, interviewees were asked about the extent to which they maintain ongoing relationships with their customers, and the benefits these ongoing relationships generate.

Analysis of the interview data revealed that the main reason firms try to maintain ongoing customer relationships is because of the contractual obligation of building maintenance after project completion. Most building contracts have a defects liability period, which is a type of maintenance warranty that starts after the project has completed and goes from three months up to several years (depending on the contract). During this period, the construction firm is contractually obliged to fix defects that are not evident at handover (e.g. cornice cracking, doors binding, and taps leaking). As explained by some of the interviewees, the construction firms try to maintain a working relationship with the customer throughout this period so that they can fulfil these contractual obligations throughout the defects-liability period:

> Well, depending on the project, most of them have got defects liability periods attached into the contract, so there is a contractual obligation anyway. (Interviewee Sixteen)
>
> It is also the defects period we are in touch with them, and then the warranty period. It is probably only as needs be. (Interviewee Nine)
>
> So generally, what we try to do, we have good relationships with everybody, and then once the maintenance period is over, you are pretty much on your own. (Interviewee Twelve)
>
> Oh, by maintaining any relationship… without sort of getting too airy fairy, there are a couple of benefits. So number 1, there is on a very large building of course, and whether that be a commercial property or a luxury residence, things like if ever you have to go back and fix something, obviously if you have a strong personal relationship with the person, the level of trust that they have, that obviously makes things a lot easier. (Interviewee Seven)

This finding explains why the survey returned a high average score for this relationship marketing activity. The survey question asked if firms try to maintain an ongoing relationship with the customers, even after the project has been completed. As the construction firms consider the project to be practically complete once construction is finished, maintaining ongoing customer relationships is not a deliberate relationship marketing activity, but rather fulfilling a contractual obligation by completing the defects liability period.

However, several interviewees indicated that they maintain ongoing relationships with some customers due to the close friendships that have been formed throughout the project. During construction, often the builder and the customer get to know each other very well and start to develop a personal relationship that goes beyond a business relationship. The following interviewees explained how some business relationships have turned into personal friendships:

> It varies. Some of them I become very close friends with. We go out to dinner and everything. (Interviewee Ten)
>
> Yeah, so a lot of the clients, the guys will maintain contact with. Sometimes it is just purely social. (Interviewee Seven)
>
> We have had good relations with some customers and met them in the street and said hello and all that sort of thing, but the majority of them, no. (Interviewee Three)
>
> That is a difficult one. Obviously, we do build some really good relationships. Some of the clients we build for… we built for a client in 2000 and I still go there probably once a month and have a coffee with them. (Interviewee Twelve)

Sometimes these ongoing relationships start to yield benefits to the construction firm. The relationship that starts as a business relationship, changes into a personal relationship throughout the project, and then starts to deliver commercial benefits after the project through customer referrals. As such, the intent of maintaining the relationship is not primarily for marketing reasons, but the relationship delivers marketing benefits, as explained by the following interviewees:

> And if they are reasonable people, you maintain a relationship. Sometimes it can lead to ongoing work, but that is not the driving force behind it. (Interviewee Thirteen)
>
> Often, they will come back and see us and show us when they have had their baby or invite us to their homes. It is not something we do as a marketing strategy. (Interviewee Nine)
>
> I suppose you do, because one minute they are emailing you saying we should get together for a glass of wine, next minute they are emailing you (this is just using them as an example) just to say "by the way, I have got someone who wants to do something, would you like to look at it"? (Interviewee Eighteen)

It is clear, then, that construction firms try to maintain ongoing relationships with customers for managing contractual maintenance obligations. This explains the apparent contradiction

between the expected results from the literature review and the survey results. While some firms maintain ongoing relationships with some customers, this is primarily due to the nature of the personal relationship they establish with the customers throughout the project. This finding aligns with research by Gao, Liu and Qian (2016) that explains that the integration of business dealings and personal friendship leads to *business friendships* which have a positive impact on cooperation and positive word of mouth. Maintaining these relationships may not be part of a deliberate relationship marketing strategy, however project-based firms receive a benefit from these ongoing relationships through customer referrals.

6.5 Summary of Phase Two

In summary, participants from 19 Australian construction firms were interviewed to further explain the survey results regarding the nature of their customer relationships and the application of their marketing. Seven of the firms were from Queensland, eight were from Tasmania, and four were from Western Australia. The interview findings were separated into the two main hierarchical themes: complex customer relationships, and relationship marketing activities.

In the case of the first major theme 'complex customer relationships' five sub-themes were apparent. First, there is an evolving emphasis from social-centric to legal-centric customer relationships. Whilst there initially appears to be a discrepancy between the model developed in the literature review and the survey findings, the qualitative data analysis reveals that customer relationships are social-centric at the beginning of the relationship, with the relationship evolving to become more legal-centric after the contract has been signed. Secondly, the dynamic nature of customer emotions is amplified by the customer's unrealistic

expectations about the project. This is because the discrepancy between what customers expect and the reality of what they receive creates a negative emotional response for the customers, which becomes evident in how the project manifests itself throughout the construction process. Thirdly, construction firms amalgamate the marketing concepts of repeat purchase intention and customer referrals. This means that while most individual customers have no intention to repeat purchase, construction firms do not differentiate between repeat customers and customer referrals, so they usually consider referred customers the same as repeat customers. Fourthly, the inefficiency of the tendering process leads to increased emphasis on customer selection, whereby construction firms are avoiding using tendering as a method to procure new business. This is because the tendering process creates a barrier to developing valuable customer relationships based on loyalty. Finally, service recovery adds to the complexity of the customer relationship because the multiplication effect of repeated deviation throughout the project, leads to an uncooperative relationship where the customers actively look for problems.

For the second major theme of 'relationship marketing activities', three sub-themes emerged. First, the lack of repeat purchase intention within project-based markets limits the usefulness of customer loyalty programmes. The size and the value of most projects mean that customers who have previously built do not have the financial capability to purchase another building, and there is no need for regular consumption of the product. Secondly, construction firms use intuition to prioritise their valuable customers, rather than traditional marketing techniques and measuring return on relationship investment. Finally, construction firms maintain customer relationships after project completion in order to manage contractual maintenance obligations, such as the defects liability period. Maintaining these relationships

may not be part of a deliberate relationship marketing strategy, however construction firms receive a benefit from these ongoing relationships through customer referrals.

6.6 Conclusion to the Chapter

In order to provide a clearer understanding of the industry sector within which this research takes place, this chapter started with an overview of the interview participants. Details of firm size and geographic location were outlined, both important considerations in relation to the study's generalisability. Following on from this, the interview findings were presented according to two main hierarchical themes. The first major theme of complex customer relationships had five sub-themes that emerged from the data analysis. These themes encapsulate the perceptions of the interviewees regarding the relationships with their customers, which are important in further explaining the complexity of applying relationship marketing within this project-based market. The second major theme of relationship marketing activities had three sub-themes, which are important in explaining the extent to which the Australian construction firms adopt a relationship marketing approach to their business. A summary of Phase Two provided an overview of the interview findings which sought to explain the unexpected or inconsistent survey results from Phase One that differed from the conceptual model presented at the end of the literature review in Chapter Three. These Phase Two findings further explain the impact complex customer relationships have on the application of relationship marketing in project-based markets, which will be explored in detail in the following chapter, where the findings from both Phase One and Phase Two will be discussed in relation to the research questions and the literature review.

Chapter Seven

Discussion and Conclusion

Chapter 7: Discussion and Conclusion

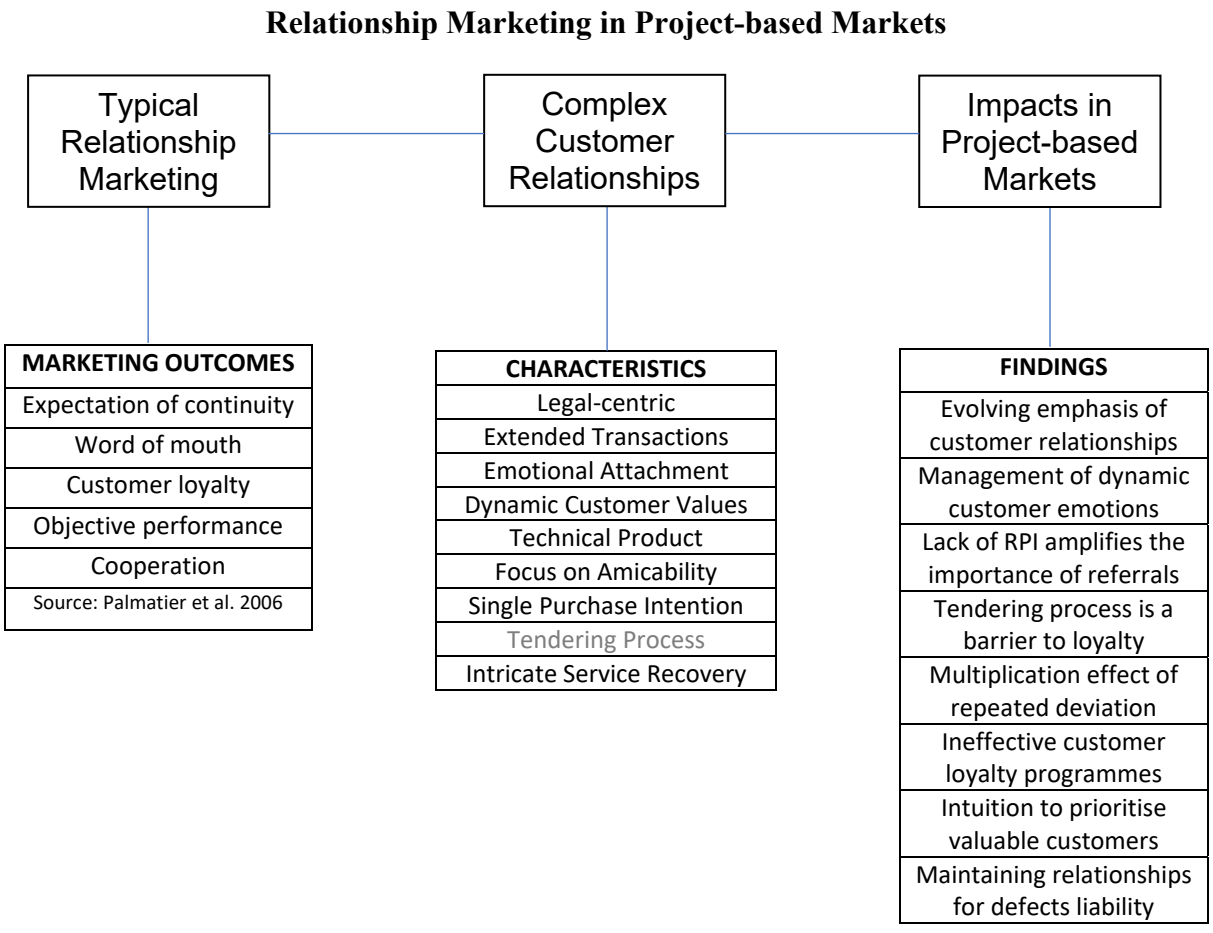
7.1 Introduction to the Chapter

This thesis has argued that customer relationships within project-based markets have certain characteristics that make them complex, which impacts the application of relationship marketing. The Australian construction industry was selected as a suitable context for this research, as it is an example of a project-based market that has high levels of conflict and low rates of customer satisfaction. Furthermore, despite decades of research outlining the problems within this industry and the need to adopt a relational approach, studies show that the construction industry does not effectively implement relationship marketing. Overall, improving marketing and procurement in the construction industry has been called the 'Holy Grail' and at the same time the 'Gordian Knot', suggesting how valuable yet difficult it is to address this issue.

The purpose of this chapter is to integrate the survey findings from Phase One with the interview findings from Phase Two, and to provide a conclusion to this thesis. To this end, this chapter first discusses the research findings by addressing the three specific research questions presented in the Introduction chapter. Together these research questions contribute to answering the main research question: *To what extent does relationship marketing theory transfer to an industry with complex customer relationships?* After the research questions are answered, this chapter provides a conclusion by discussing the theoretical contributions of this research and the practical implications. Suggestions for future research are also provided before the thesis finishes with a concluding statement.

A revised conceptual framework is presented in Figure 11 to provide a scaffolding for the ensuing discussion. This revised model includes the relationship marketing outcomes from the Relational Mediator Meta-Analytic Framework by (Palmatier et al. 2006) which outlines the typical the outcomes organisations achieve from using relationship marketing. The model also includes the findings presented in Chapter Five, regarding the characteristics of complex customer relationships within project-based markets. The findings from this research presented in the previous chapter, are also included in the revised conceptual framework to provide an overview of the impacts complex customer relationships have within project-based markets.

Figure 6: Revised Conceptual Framework



7.2 Specific Research Question One

To what extent are Australian construction firms using relationship marketing?

Two phases were used to answer this research question. Phase One used an online survey to collect data on the relationship marketing activities used by Australian construction firms, as an indication of the extent to which they are using relationship marketing. Phase Two used interviews with builders from Australian construction firms to further explain the survey findings. The bar chart below (Figure 7) illustrates the findings of the Phase One survey, which aimed to identify which of the 12 relationship marketing activities identified in the literature are being used by Australian construction firms.

Figure 7: Survey Results for Relationship Marketing Activities

Source: Research presented in this thesis.

Overall, the survey found that Australian construction firms are using relationship marketing to a limited extent. For example, Australian builders rarely track customer preferences, use

customer loyalty programmes, or use customer relationship management programmes. They also rarely analyse customer profitability, use a complaint process, measure and analyse customer satisfaction, or use social media to develop customer relationships. These activities are important indicators of firms using a relationship marketing approach, yet the Australian construction firms surveyed only sporadically used them in their business. They do, however, keep customer records and engage more regularly in activities designed to maintain customer relationships.

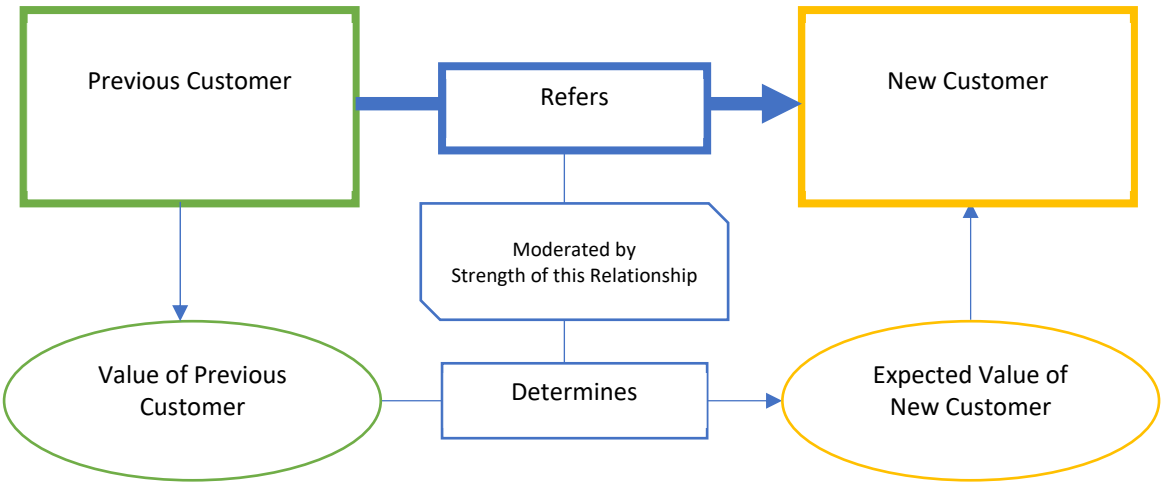
In further examining the activities that builders rarely use, the findings from the interview phase indicated that Australian construction firms do not use a customer loyalty programme because they believe their customers' lack of repeat purchase intention limits their usefulness. This is in contrast to previous research, which found that loyalty programmes are amongst the most popular activities for relationship marketing across a variety of industries (Stathopoulou & Balabanis 2016). This disparity between the theory and the research findings presented here is also linked to both the size and value of most construction projects. In other words, customers who choose to build a home, or conduct a major renovation, do not usually have the financial capability or incentive to pay for another construction project. As noted by Palmatier et al. (2006), customer loyalty programmes normally incentivise customer retention. However, the absence of an ongoing desire for the service in project-based markets makes it impractical to implement a customer loyalty programme that retains customers and rewards repeat purchasing.

In addition, the interview phase confirmed that Australian construction firms tend not to analyse customer profitability using traditional marketing techniques. Rather, builders use

their intuition to determine which customers are more valuable (i.e. profitable and cooperative) to their business. Valuation techniques like customer lifetime value that use purchase frequency and customer retention (Venkatesan & Kumar 2004) are not effective in project-based markets because there is little repeat purchase intention, and builders cannot terminate customer relationships once the contract has been signed. To overcome this problem, the findings from Phase Two indicated that builders gauge the value of the customer to their business through the knowledge they gather from interpersonal meetings.

Within this context, one of the intuitive ways in which builders determine customer value is through analysing or estimating the value of the previous customer who referred the new customer. As illustrated in Figure 8, if a firm's previous customer was valuable to the business (i.e. they were profitable and cooperative throughout the project), then the builder perceives the new customer they referred is more likely to be valuable as well. This path is moderated by the strength of the relationship between the previous customer and the new customer. The stronger the relationship between the previous customer and the new customer, the more likely they are to have similar value to the business, which can be determined by the similarity of values between the customers. The intuitive analysis technique aligns with research by Schmitt, Skiera and Van den Bulte (2011) which found that referred customers are more valuable to the firm. Furthermore, given that trust is at the centre of relationship marketing (Morgan & Hunt 1994; Palmatier et al. 2006) this intuitive way of determining customer value suggests that if a builder manages to establish a trusting relationship with an existing customer, they are more likely to be able to develop a similar trusting relationship with new customers that have been referred by their previous customers.

Figure 8: Determining Customer Value by Referral



Source: Research presented in this thesis.

Even though the project-based firms use intuition to analyse customer value, the survey findings from Phase One also show that Australian construction firms only sometimes prioritise their valuable customers. This is a problem because relationship marketing theory works on the premise that not all customers are equal (Jain 2005; Pardo et al. 2006), and to be effective at relationship marketing, firms need to prioritise valuable customers with the aim of enhancing sales and profit (Wetzel, Hammerschmidt & Zablah 2014). However, findings from Phase Two suggest that builders are inclined to treat all of their customers as equally important. Moreover, there is some dissonance over the way builders manage their customers; they want to preference valuable customers in their decision making, but they also want to treat all of their customers equally. Even though these firms try to balance the notion of customer equality with maximising profits, the firms still tend to preference more valuable customers through customer selection at the pre-contract stage of the relationship. This is considered important enough to override the notion of customer equality because project-based firms want to avoid being contractually bound to an uncooperative customer throughout the duration of the project.

While most of the twelve relationships marketing activities outlined in the literature review were seldom used, the findings from Phase One did suggest that Australian construction firms do dedicate time and resources to maintaining ongoing relationships with their customers. This indicates that these firms are using relationship marketing for their businesses, because maintaining ongoing relationships is a key aspect of relationship marketing theory (Morgan & Hunt 1994). However, when this was explored further in Phase Two, it appeared that builders generally maintain customer relationships for contractual, rather than strategic marketing reasons. Specifically, their main motivation for maintaining the relationship was simply so they can complete maintenance tasks during the defects-liability period. Once this period had ended, the firms would attempt to gracefully terminate the customer relationship. Although this approach may suggest these firms do not engage in relationship marketing, predominately, the firms participating in this study did not see the need to maintain relationships for marketing purposes as they felt that customers are unlikely to purchase again.

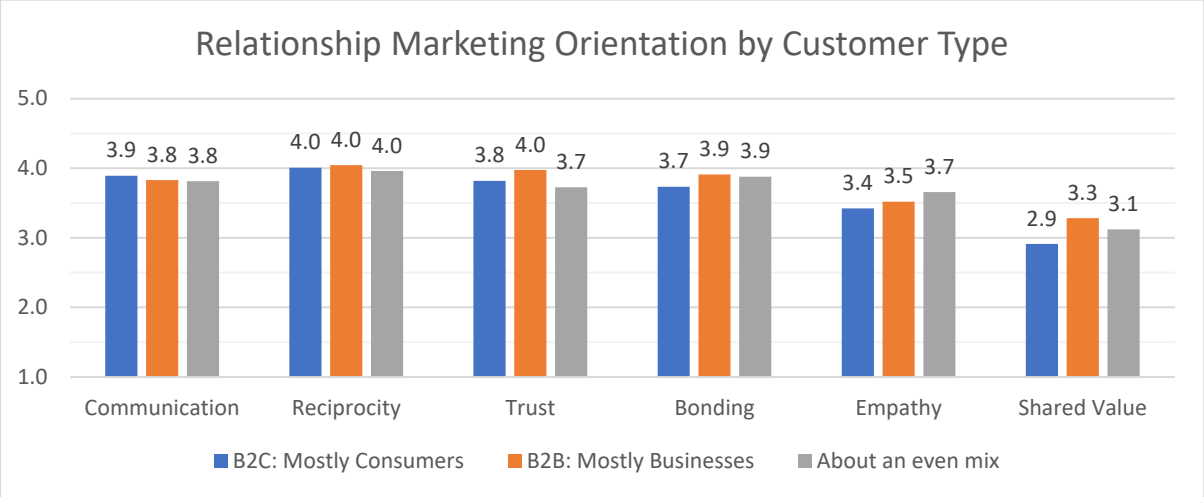
It can be seen from both phases that most of the relationship marketing activities developed in the literature review are rarely used by project firms, thus suggesting they are using relationship marketing to a limited extent. On the surface, some activities are used, such as keeping customer records and maintaining customer relationships, however the builders interviewed were predominantly using these activities because of their contractual obligations, rather than being part of a deliberate marketing strategy. Such behaviour differs from what is proposed by relationship marketing theory; and suggests that Australian construction firms are either unaware of the benefits of relationship marketing or find it too difficult to implement this approach in their businesses.

7.3 Specific Research Question Two

What is the relationship marketing orientation of Australian construction firms?

While the previous research question examined relationship marketing behaviour, this research question considers the firm's orientation towards relationship marketing. Relationship Marketing Orientation (RMO) is considered a measure of the business philosophy and the organisational culture that a business has towards implementing relationship marketing (Too, Souchon & Thirkell 2001). The components of RMO have been developed into a validated psychometric scale by Sin et al. (2005) which was utilised in Phase One. The results of the average RMO for Australian construction firms (drawn from Phase One) are displayed in the graph below (Figure 9); the higher the value, the more the participants agree that their firm has a relationship marketing orientation.

Figure 9: Relationship Marketing Orientation



Source: Research presented in this thesis.

Interestingly, the Australian construction firms that participated in Phase One indicated that their organisations have a positive relationship marketing orientation. Using the RMO

components developed by Sin et al. (2002), the findings indicate that these firms: openly communicate with their customers; use reciprocity in their customer relationships; trust their customers; bond with their customers; and have empathy towards their customers. The firms are neutral with their opinion that they have shared values with their customers. This is likely because the RMO scale measures shared value in general terms, such as sharing the same world view. However shared value is likely to be more relevant at the organisational level, as originally proposed by Morgan and Hunt (1994). It seems unrealistic that construction firms would share the same world view with all customers, and as such it would be more accurate to measure the *similarity* with their customers. Similarity is a more recent variable developed by Palmatier et al. (2006, p. 140) in their research, which refers to the 'commonality in lifestyle, approach and status between individuals'. This implies that it would be beneficial to amend the RMO scale to incorporate similarity rather than measuring shared world views.

The issue of using culture to measure relationship marketing was discussed in the literature review, Chapter 5. When contrasting the *behaviour-based* measure of market orientation developed by Kohli, Jaworski and Kumar (1993) and the *culture-based* measure of market orientation by Narver and Slater (1990), the issue of predicting implementation by measuring orientation becomes apparent. While RMO can be thought of as the 'implementation of the relationship marketing concept' the RMO scale uses the culture approach to measure the application of relationship marketing (Sin et al. 2005, p. 186). This means that it is more accurate to view the RMO scale as a measure of the organisational culture that leads to the behaviours of relationship marketing implementation. However, this research demonstrates that a positive RMO does not necessarily lead to implementation of typical relationship marketing activities, which suggests that there is something that is preventing project-based firms from applying this approach. Therefore, this finding supports the argument developed

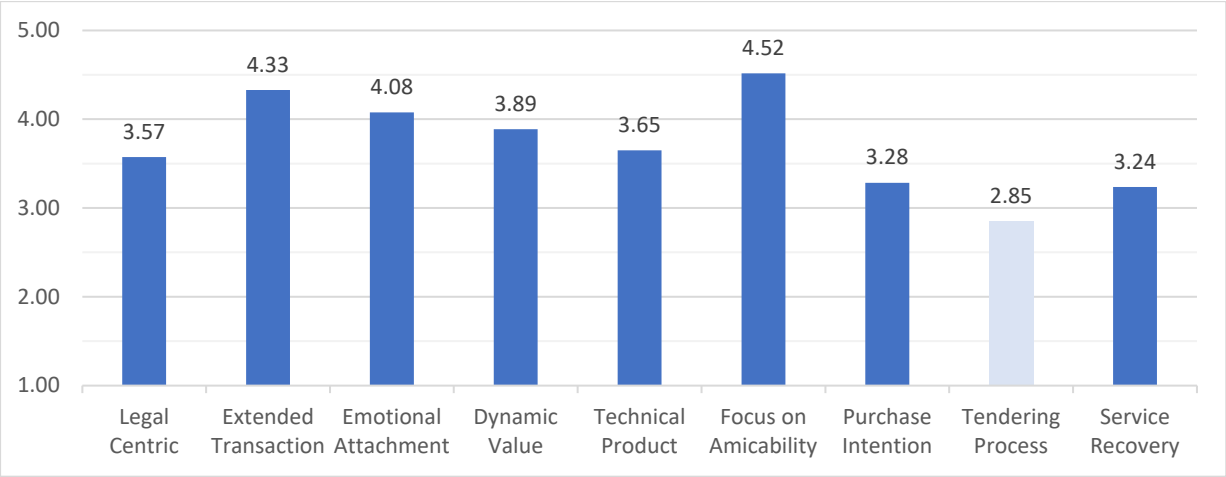
within this thesis, that the complexity of the customer relationships prevents the effective transfer of relationship marketing within the Australian construction industry.

7.4 Specific Research Question Three

What relationship characteristics are evident in complex customer relationships?

To address this research question, the survey in Phase One firstly aimed to determine if the nine relationship characteristics specified in the literature review are evident within the Australian construction market. The survey findings indicate that eight of the nine relationship characteristics are evident, except for the characteristic regarding the complexities within the tendering process (see Figure 10 below). As explained in the Research Method (Chapter Four), interviews were subsequently used in Phase Two with builders from Australian construction firms, and these findings are used in further answering this research question.

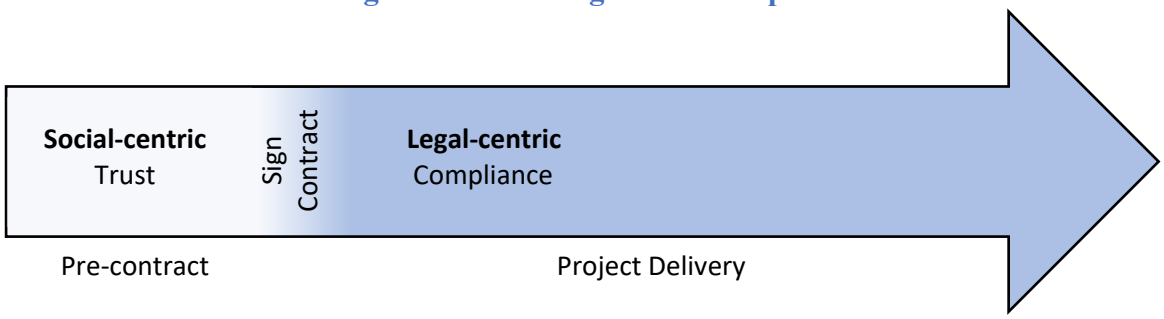
Figure 10: Characteristics of Complex Customer Relationships



Source: Research presented in this thesis.

In examining specific relationship characteristics, the Phase One survey findings show that legal-centric relationships are evident within complex customer relationships. This was expected due to the high risk and weak ties between firms and their customers which necessitate binding contracts with legal-centric relationships (Seshadri & Mishra 2004). However, the survey results also show that legal-centric relationships are not distinct (or different) from social-centric relationships, which are based on trust and customer loyalty. This was unexpected, as it was proposed in the literature review that complex customer relationships exhibit multiple characteristics that are externally heterogeneous which make them distinct from other types of customer relationships (Cannon & John 2007).

Figure 11: Evolving Relationship Focus



Source: Research presented in this thesis.

In explaining the survey results regarding the legal-centric characteristic, the Phase Two interview findings revealed a theme relating to the evolving emphasis of customer relationships (Figure 11). When the firm first interacts with the customer, the relationship has a social-centric focus built on trust. At this stage of the relationship, the aim of the construction firm is to win the trust of the customer so that they select them to deliver their project. This social-centric stage aligns with a relationship marketing approach that has an emphasis on developing trust and commitment (Morgan & Hunt 1994). However, once the customer selects the firm and the contract documents are signed, the relationship moves into

the project delivery stage. In this stage, the relationship-focus changes to a legal-centric relationship where the aim of the construction firm is to comply with the contractual requirements of project delivery. This legal-centric stage departs from a relationship marketing approach by focusing on compliance with water-tight contracts predicted on a climate of mistrust (Clegg et al. 2002). An evolving relationship that changes focus from social-centric to legal-centric is different from typical service relationships that focus on trust and commitment (Palmatier 2008a). It is also interesting to note, that at practical completion of the project the customer relationship is somewhat reformed, where the construction firm and the customer interact to resolve issues around building defects. By investing in a relational approach to service recovery, it is likely to help with cooperation and moderate the effect of resolving defects. Therefore, this evolving relationship focus adds to the degree of customer relationship complexity.

This research also shows that customers experience strong emotional attachment within project-based markets. This finding aligns with previous research, which found that customers typically have an emotional attachment to products that are special and significant to them (Mugge, Schoormans & Schifferstein 2008). However, this research also indicates that these customers can be rational in their decision making, suggesting that the nature of customer emotions are dynamic throughout service delivery. The dynamic nature of customer emotion impacts customer relationship management because, throughout the project, the customer's dynamic emotions can often override their rational logic, which often results in customers making unusual and irrational decisions. Unrealistic customer expectations add to the emotional intensity when the project is produced in a way that is different than expected. Furthermore, once the customer experiences strong negative emotions, it is very difficult for builders to recover back to a positive experience. When this happens, these project-based

firms are locked into a legal contract with an uncooperative customer with whom they cannot terminate the relationship. Therefore, emotional attachment is also evident within complex customer relationships which also impacts the application of effective relationship marketing.

The survey findings from Phase One indicate that a focus on amicability is evident within complex customer relationships. This means that Australian construction firms try to maintain customer satisfaction for the short-term objective of cooperation throughout the project. This finding aligns with the marketing literature, as cooperation is a dyadic outcome of relationship marketing (Palmatier et al. 2006). However, when firms focus on maintaining an amicable relationship (i.e. easy to work with) and avoid managing functional conflict, it can negatively impact the customer relationship (Leung, M-y, Liu & Ng 2005). Yet the survey results suggest that the firms also use customer satisfaction for the long-term benefits of repeat purchasing behaviour. In explaining the survey results, the Phase Two findings indicated that the participating firms amalgamate the concepts of repeat purchase intention and customer referrals. Due to the lack of repeat purchase intention within these markets, when builders discuss repeat business, they generally mean the extra business they receive through customer referrals of existing customers, rather than repeat business from the same customer. This finding emphasises the importance of customer referrals for project-based firms. While customer satisfaction does not normally influence on re-entry into the project-based markets, such as construction (Yang & Zhu 2006), customer satisfaction leading to customer referrals is generally seen as a form of repeat purchasing. Therefore, managing customer relationships with a focus on amicability and the lack of repeat purchase intention within project-based markets both add to the complexity of managing these customer relationships.

By using the findings from both phases, it is evident that the perceived inefficiency of the tendering process also complicates the customer relationships within this project-based market. Although the survey results in Phase One initially indicated otherwise (see Figure 10), the interviews in Phase Two found that the participating construction firms avoid competitive tendering by dealing directly with the customer and also avoid competing solely based on price. This finding aligns with previous research which also suggests that building contractors seek to eliminate tendering through partnerships with customers (Akintoye, McIntosh & Fitzgerald 2000). This research explains that when dealing directly with customers, some firms increase their emphasis on customer selection by giving preference to customers that have an existing relationship with the firm, or by charging for providing quotations as a way of determining which customers are more valuable. Therefore, although the findings from Phase One initially indicated that tendering is not a characteristic that adds to customer relationship complexity, further analysis demonstrates that this is because Australian construction firms avoid this complexity and adapt their procurement process with an increased emphasis on customer selection.

This research also shows that intricate service recovery is a characteristic that complicates customer relationships in project-based markets. The survey findings from Phase One suggest that from a functional perspective service recovery is simple, but the interview findings from Phase Two reveal that from a relationship perspective service recovery is complicated by the multiplication effect of repeated deviation. This means that when firms are repeatedly unable to recover from multiple service failures, these repeated deviations have a negative multiplication effect on the customer relationship. When this happens, customers become

very uncooperative and activity look for problems. This finding supports previous research by Maxham and Netemeyer (2002a) which indicated that when two unsatisfactory recoveries occur the (negative) deviation effect is strong; and more recent work by Basso and Pizzutti (2016) which concluded that multiple deviations require fundamentally different strategies. Therefore, managing service recovery also adds to the complexity of customer relationships in project-based markets.

7.5 Main Research Question

As presented in the Introduction Chapter, it was suggested that the complex nature of the relationships within project-based markets influence the adoption and effectiveness of relationship marketing by businesses seeking to improve customer satisfaction and loyalty. The research presented in this thesis supports this proposition. By integrating the survey findings from Phase One with the interview findings from Phase Two, it is apparent that the relationship characteristics identified in the literature review are evident in the complex customer relationships within the context of the Australian construction market. Furthermore, each of these relationship characteristics adds to the complexity of managing these customer relationships in some way and therefore impacts the application of relationship marketing theory within project-based markets.

Therefore, in answering the main research question, the extent to which relationship marketing theory transfers into an industry with complex customer relationships is limited. Theoretically, some axioms of relationship marketing theory do not align with project-based markets, such as the ongoing desire for service and the value of customer retention. Practically, project-based firms do not engage in common relationship marketing activities.

This explains why Australian construction firms indicate that they have a positive orientation toward relationship marketing, yet they are not fully implementing this approach in their business. The next section will discuss the implications of this research.

7.6 Theoretical Implications

To the researcher's knowledge, there has not been another study that has investigated the extent to which relationship marketing theory transfers to project-based markets by examining the complexity of customer relationships. In line with Gummesson's (2017) call to focus future research on relationship marketing to better understand complexity, it is considered then that this research has important implications for both theory and practice. The contributions to theory will be set out in the following sections.

Relationship Marketing for Project-based Firms

Chapter One of this thesis introduced the idea that relationship marketing is difficult to apply in project-based markets. The findings reported in Chapter Five and Six offer evidence that Australian construction firms have a positive orientation towards relationship marketing, however, these project-based firms are not using many, if any, relationship marketing activities. This has theoretical implications for both measuring RMO, as well as determining the extent of relationship marketing activities being used by project-based firms.

There are three theoretical implications to the finding that respondents from the Australian construction industry are not actually engaging in traditional relationship marketing activities. First, considerable research has explored the application of relationship marketing in different

industries (Das 2009), yet few studies list specific relationship marketing *activities* that can be used to determine the extent to which this theory has been adopted by businesses. In line with the conceptual definition of relationship marketing activities by Palmatier (2008b), a literature review identified twelve marketing activities specific to project-based firms. These activities were used in a survey to measure the extent project-based firms are adopting a relationship marketing approach. While the specific adjustments required for the diverse types of marketing situations have long been acknowledged in the application of relationship marketing (Gummesson 1998), these twelve activities can be used as a basis to refine and improve further research measuring relationship marketing implementation in project-based markets.

Second, this study found that Australian construction firms, which operate in project-based markets, did not often use typical relationship marketing activities (e.g. customer loyalty programmes). The primary reason for this is because customers in these markets have a lack of repeat purchase intention, hence loyalty programmes that seek to improve customer retention are rendered ineffective and irrelevant. For relationship marketing theory to be effective within this context, it needs to account for situations with limited repeat purchasing where customer retention is not important. This research suggests a focus on evaluating and managing customer referrals, however care must be taken to ensure that these referrals are genuine. Research by Garnefeld and Helm (2016) shows that 'engineered' customer referrals can be exploited by customers, so to be effective these referrals need to genuinely transfer the value from the satisfied customer that has experienced good service, to a new prospective customer that is looking for a trustworthy service provider.

Third, this thesis has explored how Australian construction firms have adapted marketing techniques to suit project-based markets. Rather than using traditional techniques such as customer lifetime value (Venkatesan & Kumar 2004), these project-based firms use intuition to analyse customer value by determining the strength and value of customer referrals. Moreover, their focus appears not to just be on the lifetime value of the customer, but on the likelihood that that customer will make referrals and the strength of these referrals. This notion of adapting traditional techniques together with a strong focus on customer referrals implies that traditional relationship marketing theory needs to be adjusted to suit this context. A model (Figure 8) has been provided to illustrate how project-based firms try to determine customer value based on customer referrals.

The theoretical implications regarding the positive orientation of Australian construction firms towards relationship marketing are as follows. First, as requested by Sin et al. (2005) this research provides another context for testing and validating their RMO scale. Testing the internal consistency of the RMO scale with a sample from a different industry context and within a different cultural context provided an 'excellent' result ($\alpha > 0.90$) which adds to the strength of the reliability and validity of this instrument (Kline 2015, p. 70). Future research could test this instrument in other project-based markets, such as engineering and mining sectors, especially in combination with behavioural measures of relationship marketing implementation.

Second, given that the respondents have a positive RMO but are not engaging in relationship marketing activities, this thesis indicates that there is a difference between adopting the relationship marketing philosophy and implementing relationship marketing using relationship marketing activities. As discussed in regard to specific research question two,

firms may intend to adopt a relationship marketing approach but lack the capability to be able to effectively engage in typical relationship marketing activities. This means that culture-based approaches to measuring marketing orientation (e.g. Narver & Slater 1990) may be less effective to behaviour approaches as originally proposed by Kohli, Jaworski and Kumar (1993) in determining the implementation of relationship marketing. This highlights the importance of measuring relationship marketing orientation as well as relationship marketing activities (or behaviours) within other complex markets.

Impact of Complex Customer Relationships

The Introduction Chapter postulated that the complex nature of customer relationships within project-based markets influences the adoption and effectiveness of relationship marketing. As relationship marketing theory has been developed for traditional service industries such as banking and accommodation (Berry 1983), the characteristics that make customer relationships different within project-based markets have been explored. Specific relationship characteristics were developed in the literature review and tested through quantitative and qualitative analysis. In line with Gummesson's (2017) call for more research into complexity, the research findings support the proposition that the complex nature of the customer relationships within these project-based markets is different to typical service markets. These relationship characteristics are not intended to be exhaustive, yet they provide a basis for further research in exploring relational complexity within project markets.

This thesis further expands the idea developed in the literature review that customer relationships are either legal-centric or social-centric. The findings in this study indicate that there is an evolving emphasis of customer relationships in project-based markets. These

relationships start as social-centric at the beginning of the project and then evolve into a more legal-centric relationship after the contract has been signed (as illustrated in Figure 11). As such, this research adds to the relation-contract continuum used by Seshadri and Mishra (2004) in developing contract theory, as well as a similar concept developed by Edkins and Smyth (2006) in applying relational contracting in project markets, to further explain this relationship phenomenon. While the points on the continuum are conceptually the same, with legal-centric relationships at one end and social-centric on the other, rather than the continuum representing a static organisational approach, it represents a dynamic adaptation of relationship focus in response to an evolving customer relationship. The continuum does not represent the approach a firm is adopting, but rather explains the firm's focus within a specific customer relationship.

In answering the third specific research question, it was shown that customers become emotionally attached to the project as suggested by the literature. This finding aligns with previous research on emotional attachment to products (Mugge, Schoormans & Schifferstein 2009). In addition, the findings also indicate that emotional attachment is not a static trait and that customer emotions are dynamic throughout the duration of the project. This is an important consideration when measuring emotional attachment. For example, the scale developed by Thomson, MacInnis and Whan Park (2005) measures emotion at the time when consumers respond to the survey and then assumes emotional durability in predicting relationship outcomes, such as commitment and brand loyalty. Yet if customer emotions are dynamic and change dramatically throughout a project, the temporal nature of customer emotion limits the reliability of using this as a predictor for future organisational performance. This suggests that emotion will need to be measured dynamically throughout the project to be effective at predicting outcomes for project-based firms.

In addition, this thesis makes a supporting contribution to the literature on competitive tendering for business procurement. Specifically, this study supports previous research which demonstrates that project-based firms tend to avoid using tendering because they consider it to be inefficient (Akintoye, McIntosh & Fitzgerald 2000). This research suggests that this is because the tendering process creates a barrier to developing valuable relationships with customers, so project-based firms try to bridge this barrier by dealing directly with customers, or preferencing customers who are associated with architects with which the firm has an existing relationship. While the competitive tendering process does add to relationship complexity, project-based firms can manage this complexity if they can avoid tendering as a method of procuring new business.

This thesis also asserts that the intricate nature of service recovery in project-based markets adds to relationship complexity. This supports the existing literature that attests to the negative impact of multiple service failures (Basso & Pizzutti 2016; Maxham & Netemeyer 2002a). This research shows that the multiplication effect of repeated deviation throughout a project leads to an uncooperative relationship, where the customers actively look for problems. As service failure is inevitable during the delivery of projects due to the extended time of the service encounter, effective service recovery becomes critically important to firms operating in project-based markets. As such, the social elements of the relationship need to be managed very carefully by the construction firms, which reinforces the call by Hazée, Van Vaerenbergh and Armirotto (2017) for firms to train their frontline employees in the cocreation of service recovery by involving the customer in developing solutions to service failure. Skilful service recovery by employees is likely to address the issues of unrealistic

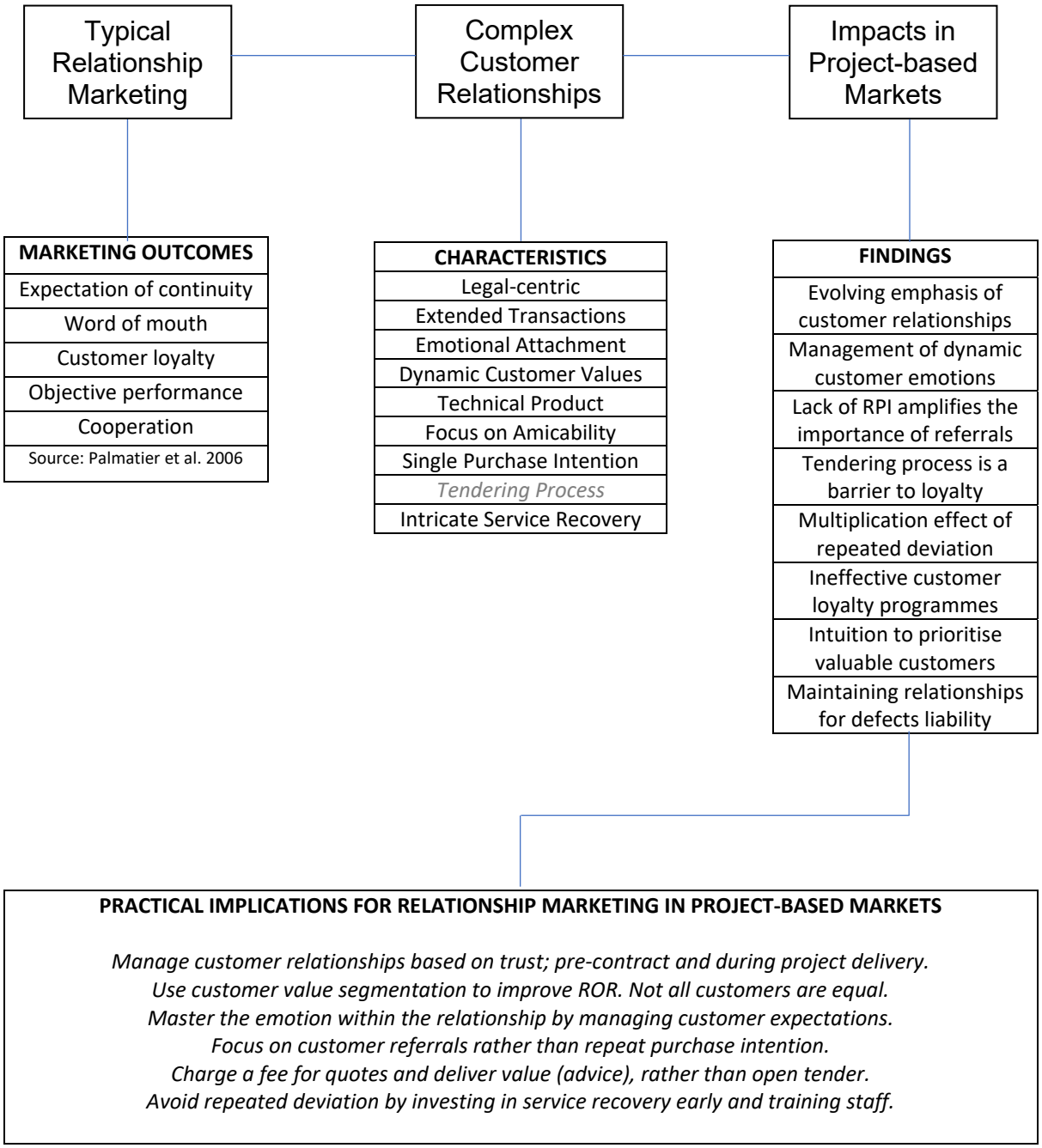
customer expectations by integrating customer resources (such as skills and ideas) early into the service recovery process.

7.7 Practical Implications

There is little research available on relationship marketing in project-based markets that might inform Australian construction firms. It is hoped that this thesis will provide some guidance to construction firms concerning the implementation of relationship marketing to reduce disputes and increase customer satisfaction. In particular, the management of complex customer relationships that impact the application of relationship marketing. To address the complexity of these customer relationships, managers of project-based firms may consider the following six recommendations, added to the conceptual framework in Figure 12 below.

Figure 12: Conceptual Framework with Practical Implications

Relationship Marketing in Project-based Markets



1) Manage customer relationships based on trust; pre-contract and during project delivery.

This research indicates that construction firms tend to use a relational approach to develop a rapport with customers and procure new business. However, once the contract has been signed the relationship focus changes to an emphasis on contractual compliance throughout project delivery. To improve customer satisfaction and reduce disputes, construction firms should consider focusing on maintaining trust and loyalty throughout the duration of the whole project. From a practical perspective, this approach requires a shift from a legal-centric project management focus to a social-centric customer management focus. This shift will require more resources, such as spending time with customers and training staff with customer management skills. Yet the benefits of increased customer satisfaction and customer referrals are likely to more than offset the initial increase in costs to manage the customer relationship. As mentioned in section 7.6, maintaining trust throughout the project will also assist in effective service recovery and is likely to reduce the multiplication effect of repeated deviation. As such, managing customer relationships based on trust throughout the entire project will lead to reduced disputes and increased customer satisfaction.

2) Use customer value segmentation to improve ROR. Not all customers are equal.

The participating construction firms still have the tendency to treat all customers as equally valuable. This is despite widespread marketing research emphasising the importance of effective customer management by analysing customer profitability and tailoring the service to each customer's profitability level (Zeithaml, Rust & Lemon 2001). While traditional Return on Relationship (ROR) techniques based on repeat purchase intention (such as CLV) are inadequate, Australian construction firms should consider using customer value segmentation according to the strength (i.e. the level of trust and commitment) and value of

customer referrals. This is likely to improve the return they receive from investing in these relationships.

3) Master the emotion within the relationship by managing customer expectations.

Customers experience dynamic emotions throughout the project as they are emotionally attached to the project as it is being produced. However, a lot of this emotion comes from their unrealistic expectations about the project and the service they receive. As customer satisfaction is the difference between a customer's expectations and their service evaluation (Cardozo 1965; Quester et al. 2007), construction firms can improve customer satisfaction by effectively managing customer expectations during the project. The technical nature of the product generates unrealistic expectations, so firms should also use customer learning to manage customer expectations and increase customer satisfaction.

4) Focus on customer referrals rather than repeat purchase intention.

The traditional concept of relationship marketing focuses on retaining customers that have an ongoing desire for the service (Berry 1983). This research demonstrates that there is usually no ongoing desire and very little repeat purchase intention within these project-based markets. The practical implication of this for managers of construction firms is that they would benefit from focusing more on customer referrals rather than customer retention. As these concepts are easily confused within project-based markets, an initial step could be training managers (and supervisors) in relationship marketing and its application to the construction industry.

5) Charge a fee for quotes and deliver value (advice), rather than open tender.

Competitive tendering is inefficient when adopting a relationship marketing approach to business. To increase efficiency in procurement, project-based firms should consider limiting tenders to their existing customer relationships, as well as using a pricing mechanism to determine customer value when providing quotations. This will enable firms to increase their emphasis on customer selection. Firms that are in a position to charge a fee for providing quotes (i.e. because of high demand or a strong reputation) are likely to become more effective and efficient through the use of customer value segmentation. These businesses will benefit from this segmentation process by having a more efficient procurement process, as well as having a greater portion of valuable customers with whom they can establish profitable relationships. In turn, this should give the builder more resources to focus on improving service quality and increasing customer satisfaction.

6) Avoid repeated deviation by investing in service recovery early and training staff.

Repeated service failures throughout the duration of a project have a multiplication effect on customer satisfaction. This limits a firm's ability to recover an uncooperative relationship when not managed effectively. As service failure is the performance that falls below a customer's expectations (Hess Jr, Ganesan & Klein 2003), it may occur even when the service adheres to industry standards. Moreover, when customers are dissatisfied and experience strong negative emotions, they may become uncooperative and actively look for problems. This increases the likelihood of repeated deviation, which has a multiplication effect on customer dissatisfaction throughout service recovery. To address this issue, project-based firms should consider investing in service recovery early to avoid the multiplication effect of repeated deviation. Examples of early investment include managing the customer's expectations or adapting the service to meet the initial expectations. The initial cost of

adapting the service provision (e.g. incorporating variations to the contract or changing standard building procedures) is likely to pay dividends through avoiding an uncooperative relationship throughout the remainder of the project. Furthermore, project-based firms should train their employees in customer relationship management skills to manage customer expectations and emotions throughout service recovery.

7.8 Future Research

There is a wealth of possibilities for future research regarding relationship marketing theory and how it can be further developed for project-based markets. However, this section will focus on a few major areas of future research. Some of these future research suggestions have been briefly mentioned throughout this chapter and will be expanded on in this section.

This research developed a model of complex customer relationships, which comprises of nine different relationship characteristics used for analysing customer relationship complexity. This serves as a conceptual starting point in understanding how relationship complexity impacts the transfer of relationship marketing theory. There may be more relationship characteristics that influence relationship complexity, and the current characteristics require further research to refine their definition and measurement. Likewise, the twelve relationship marketing activities developed in this thesis can be used as a basis to refine and improve further research measuring relationship marketing implementation. In this thesis the issues of only using a culture-based approach were revealed, which reinforces the importance of developing behavioural approaches to measuring relationship marketing.

While the research in this thesis highlights the importance of managing customer expectations, this research did not specifically look at how to manage the expectations of customers throughout the relationship. Given the importance of customer expectations in reducing conflict and improving customer satisfaction, future research should explore this in more detail, especially on how this concept is linked to customer emotion and service recovery. This research could examine how the technical nature of the product generates unrealistic expectations, especially in markets with low repeat purchasing which is likely to limit customer learning. It would be beneficial for project-based firms to know how expectations are set, and how they change throughout the project, as well as the impact staff training has on customer expectations and customer satisfaction.

Although the project-based firms included in this study placed a strong emphasis on customer referrals, future research is needed to determine the effectiveness of this approach. This can include determining the extent to which their intuition is actually resulting in more valuable relationships, and how to translate this intuition into theory. The model of determining customer value by referrals (Figure 8) can be operationalised to make it clearly distinguishable, measurable, and understandable by empirical observation. Developing a theory for project-based firms to determine customer value (i.e. profitability and cooperation) before signing a contract will be highly beneficial for both buyers and sellers.

This thesis examines customer relationships from the firm's side of the buyer-seller dyad. It would be beneficial if future research could explore the complexities of the customer relationship from the client's side of the dyad. Examining relationships from both sides of the dyad allows for a deeper understanding of how these relationships work and how to manage

them more effectively. This future research would benefit from focusing on the factors that influence the customer's expectations throughout the project. Given the importance of managing customer expectations in improving customer satisfaction, more reliable knowledge of how managers can align customer expectations with perceptions of the actual service delivery would be beneficial for project-based firms.

It has become evident throughout this thesis that managers of construction firms would benefit from training in relationship marketing. Australian builders are trained in the construction of buildings to comply with various laws, codes, and standards. While this functional approach is important, using this approach alone is not enough. As this thesis has shown, it is important to develop social relationship skills to effectively manage customer relationships. As such, more research is needed to determine what social relationship skills project-based firms have, and the extent to which they need to develop them. Future research investigating the benefits of relationship marketing education within the construction industry is likely to be the best chance of unravelling the Gordian Knot, and reducing disputes and improving customer satisfaction.

7.9 Concluding Statement

The Australian construction industry is an important part of the national economy which impacts many people throughout society. A large number of workers are employed within this industry, and many customers throughout the population buy and sell within this market. The performance of this industry impacts many people, yet this industry generally has high levels of conflict and low rates of customer satisfaction. Relationship marketing is a well-

established theory that appears to address these issues as it has been shown to improve cooperation and customer satisfaction.

To explore this theoretical alignment, this thesis aimed to determine the extent to which relationship marketing theory transfers to project-based markets with complex customer relationships. The Australian construction industry was suitable for this context, as within these markets customer value is primarily delivered through projects (e.g. the building of a new home). These project-based markets are different from typical service markets, as the nature of buyer-seller relationships exhibits numerous characteristics that make them complex. This complexity impacts the ability of firms operating within these markets to successfully implement relationship marketing.

In closing, this research suggests that rather than focusing on repeat purchases and customer retention, project-based firms should use relationship marketing to focus on customer satisfaction and customer referrals. This research also highlights the importance of prioritising valuable customers, and training builders in customer relationship management skills to effectively manage customer expectations and emotions throughout the project. Furthermore, research continually reinforces that trust is central to managing relationships. If project-based firms can dedicate sufficient time and resources to developing trusting relationships with their customers, rather than focusing on legal compliance, the successful application of relationship marketing will reduce disputes and improve customer satisfaction.

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Appendices

Appendix A: Online Survey Instrument

UTAS **Survey** - www.surveys.utas.edu.au

Relationship Marketing in the Construction Industry

Thank you for agreeing to participate in this research.

UNIVERSITY of TASMANIA

To start this survey, please click the 'Next' button below.

There are 24 questions in this survey

Page 1

[]

Are you a Registered Builder, Licensed Building Contractor, or Accredited Building Practitioner?

Please choose **only one** of the following:

- ○ Yes
- ○ No

[]

Are you a Marketing Manager, or the person responsible for managing sales and profit?

Please choose **only one** of the following:

- ○ Yes
- ○ No

[]

Who does your organisation mainly conduct business with?

Please choose **only one** of the following:

- ○ B2C: Mostly Consumers (e.g. families, home owners).
- ○ B2B: Mostly Businesses (e.g. architects, developers).
- ○ About an even mix of B2C/B2B.
- ○ Other (Please explain in the comment box).

Make a comment on your choice here:

Page 2

The following questions are about relationship marketing activities.

Please select the most appropriate response according to the extent of your marketing activities.

[]To what extent does your business:

Please choose the appropriate response for each item:

	Never	Rarely	Sometimes	Often	Always
Keep detailed records of customer interactions (e.g. phone calls, complaints, enquiries).	○	○	○	○	○
Use a system to keep track of customers' preferences (e.g. footy team, hobbies).	○	○	○	○	○
Use social media to develop relationships with clients (e.g. Facebook, Twitter).	○	○	○	○	○
Use a customer loyalty program (e.g. rewards card, repeat purchase discounts).	○	○	○	○	○
Use a Customer Relationship Management (CRM) program (e.g. Salesforce, SAP, Oracle).	○	○	○	○	○
Measure and analyse customer satisfaction (e.g. online surveys, feedback forms).	○	○	○	○	○

[]To what extent does your business:

Please choose the appropriate response for each item:

	Never	Rarely	Sometimes	Often	Always
Use a formal customer complaint process to manage negative feedback.	○	○	○	○	○
Analyse the profitability of customers (e.g. calculate Customer Lifetime Value).	○	○	○	○	○
Prioritise valuable (most profitable) customers in your decision making.	○	○	○	○	○
Terminate relationships with unprofitable (or least profitable) customers.	○	○	○	○	○
Try to maintain an ongoing relationship with customers (e.g. after their project has completed).	○	○	○	○	○
Use a quality management system during design and construction (e.g. ISO9001).	○	○	○	○	○

Page 3

The following statements are used to determine the nature of your customer relationships.

Please select the most appropriate response according to your opinions.

[]Please indicate your agreement with the following statements:

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Communication with our customers often relates to contractual matters (variations, claims, etc).	○	○	○	○	○
Communication with our customers often focuses on developing a loyal relationship with them.	○	○	○	○	○
Our customers typically make multiple progress payments throughout the construction project.	○	○	○	○	○
Our customers typically only make one single (lump sum) payment.	○	○	○	○	○
Our customers are usually emotionally attached to the construction project.	○	○	○	○	○
Our customers are usually rational and logical about the construction project.	○	○	○	○	○
Our customers often change their mind during the construction project.	○	○	○	○	○
Our customers often stick to their decisions throughout the construction project.	○	○	○	○	○
Our customers are often confused by the technical aspects of the construction process.	○	○	○	○	○
Our customers typically understand the technical aspects of the construction process.	○	○	○	○	○

[]Please indicate your agreement with the following statements:

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We try to keep our customers happy so they are easy to work with during the project.	○	○	○	○	○
We try to keep our customers happy so that they build with us again in the near future.	○	○	○	○	○
Most of our customers are building with us for the first time.	○	○	○	○	○
Most of our customers have built with us before on another project.	○	○	○	○	○
Most of our customers choose us because we won the tender or our low price.	○	○	○	○	○
Most of our customers choose us because they are loyal to our business.	○	○	○	○	○
If our customers are unhappy, it is usually complicated by many issues.	○	○	○	○	○
If our customers are unhappy, it is usually fairly simple to resolve.	○	○	○	○	○
We often interact with our customers to comply with contract conditions.	○	○	○	○	○

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We often interact with our customers to make them loyal (repeat) customers.	○	○	○	○	○

Page 4

The following statements describe the relationship between your company and your company's major customers (clients).

Please select the most appropriate response according to your opinions about your customers in general.

[]Communication

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We communicate and express our opinions to each other frequently.	○	○	○	○	○
We can show our discontent towards each other through communication.	○	○	○	○	○
We can communicate honestly.	○	○	○	○	○

[]Reciprocity

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We keep our promises to each other in any situation.	○	○	○	○	○
If our customers gave assistance when my company had difficulties, then I would repay their kindness.	○	○	○	○	○
My company regards "never forget a good turn" as our business motto.	○	○	○	○	○

[]Trust

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We trust each other.	○	○	○	○	○
Our customers are trustworthy on important things.	○	○	○	○	○
According to our past business relationship, my company thinks that our customers are trustworthy people.	○	○	○	○	○
My company trusts our customers.	○	○	○	○	○

[]Bonding

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We rely on each other.	○	○	○	○	○
We both try very hard to establish a long-term relationship.	○	○	○	○	○
We work in close cooperation.	○	○	○	○	○
We keep in touch constantly.	○	○	○	○	○

[]Empathy

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We always see things from each other's view.	○	○	○	○	○
We know how each other feels.	○	○	○	○	○
We understand each other's values and goals.	○	○	○	○	○
We care about each other's feelings.	○	○	○	○	○

[]Shared value

Please choose the appropriate response for each item:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
We share the same worldview.	○	○	○	○	○
We share the same opinion about most things.	○	○	○	○	○
We share the same feelings toward things around us.	○	○	○	○	○
We share the same values.	○	○	○	○	○

Page 5

Before finishing this survey, please provide some more information about your business.

[]In which state or territory does your business operate?

Please choose **all** that apply:

- ☐ NSW
- ☐ Vic
- ☐ QLD
- ☐ WA
- ☐ SA
- ☐ Tas
- ☐ ACT
- ☐ NT
- ☐ Other: [ ]

[]In what postcode is your business located (head office)?

Only numbers may be entered in this field.

Please write your answer here:

[ ]

[]Information regarding your construction business:

Please write your answer(s) here:

How many direct employees (not sub-contractors) does your business employ?

[ ]

Approximately how many years has your business been operating?

[ ]

Approximately how many buildings (projects) are built per year?

[ ]

[]For the last financial year, what was your approximate annual turnover in sales?

Please choose **only one** of the following:

- ○ Less than $1 million
- ○ $1 to $5 million
- ○ $5 to $10 million
- ○ $10 to $50 million
- ○ $50 to $100 million
- ○ More than $100 million

Make a comment on your choice here:

[]What is the main type(s) of construction work your business engages in?

Please choose **all** that apply:

- ☐ **Residential Buildings (class 1 &10)**
- ☐ New Homes
- ☐ Units or Apartments
- ☐ Renovations
- ☐ **Commercial Buildings (class 2 – 9)**
- ☐ Low Rise [1 story, or type C]
- ☐ Medium Rise [2 to 3 storeys, or type B]
- ☐ High Rise [4 or more storeys, or type A]

[]Have you won any marketing awards, or customer service excellence awards?

Please choose **only one** of the following:

- ○ Yes
- ○ No

[]Please provide details:

Only answer this question if the following conditions are met:
Answer was 'Yes' at question '19 [C070]' (Have you won any marketing awards, or customer service excellence awards?)

Please write your answer here:

[]
Would you be prepared to participate in phase two of this research project?

Phase two will involve a 45 minute interview with builders and/or their marketing managers. Respondents selected to participate in the interview phase will receive a

customised relationship marketing report for their business, prepared by researchers at the University of Tasmania.

Please choose **only one** of the following:

- ◯ Yes
- ◯ No

[]

Please provide an email address for us to contact you about future research (e.g. the interview phase). This email address will not be used to identify your responses to this survey. All the data from this survey will be de-identified for analysis.

Only answer this question if the following conditions are met:
Answer was 'Yes' at question '21 [D090]' (Would you be prepared to participate in phase two of this research project? Phase two will involve a 45 minute interview with builders and/or their marketing managers. Respondents selected to participate in the interview phase will receive a customised relationship marketing report for their business, prepared by researchers at the University of Tasmania.)

Please write your answer here:

[]

Please provide your business name. Your business name will not be used to identify your responses to this survey. All the data from this survey will be de-identified for analysis.

Only answer this question if the following conditions are met:
((D090.NAOK == "Y"))

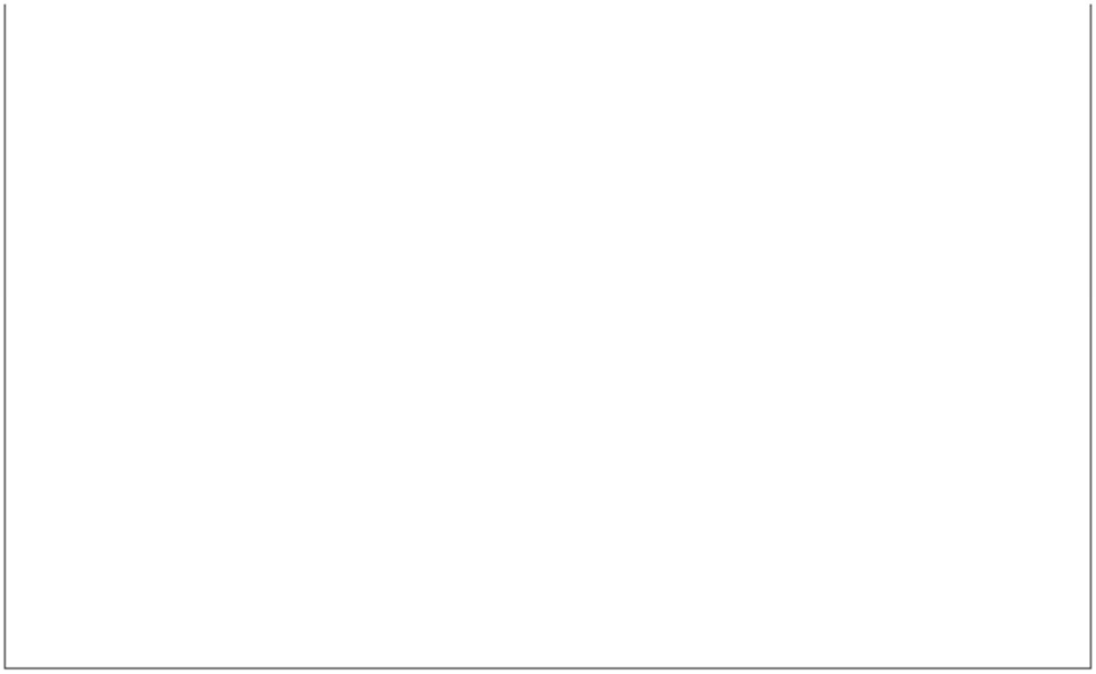
Please write your answer here:

[]

Thank you for completing this survey. Please feel free to provide any additional comments in the space below.

To finish and exit the survey, please ensure you press the 'Submit' button below.

Please write your answer here:



Thank you for completing this survey. Your contribution is greatly appreciated.

If you would like to contact the researcher directly, please email: Kevin.Swarts@utas.edu.au

Submit your survey.
Thank you for completing this survey.

Appendix B: Interview Schedule

Note: Check recorder turned on, and consent form has been signed before interview commences. Are there any questions about my study you would like to ask me before we start the interview?

1. Warm Up [2 min]

How long have you been in business? What type of construction do you focus on? What sort of marketing do you do? How do you get new business (customers)? What percentage are WOM?

2. Complex Customer Relationships [15 min]

Objective: determine the nature of the customer relationship in the construction industry.

01* Are most of your customers building with you for the first time, or have they built with you before?

02* To what extent do you feel that your customers are emotionally invested in the construction process? Does this impact their ability to make rational decisions?

03 * Do you think service recovery (resolving complaints due to service failure) is more difficult in construction, compared to other industries?

04* Why do you keep your customers happy; so that they are easy to work with during the project, or so that they will build with you again? Or both?

05* Do you communicate with customers more for contractual (like plans, contract, addenda, variations), or more for loyalty reasons to get repeat business (like loyalty programs)?

Relationship Marketing Activities [10 min]

Objective R1: determine the extent builders are using RM, and how.

06* To what extent do you use a customer loyalty programme? If so, how does this work?

07* To what extent does your business maintain an ongoing relationship with your customers, even after construction? Is this worthwhile?

08* What benefits do these relationships generate (e.g. word of mouth referrals, repeat purchase, increased sales, cost savings, cooperation, etc.)?

General [18 min]

Objective R2: are builders using RM as a key strategic resource?

09* What makes your company competitive and outperform your competitors (price/relationships)?

10 Do you train your staff in managing customer relationships (e.g. customer service)?

Objective R3: how are construction firms measuring Return on Relationships?

11* To what extent do you calculate the return of relationship investment?

12* To what extent do you prioritise more valuable customers in your decision making?

Objective R4: determine the factors that affect the transferability of RM theory.

13* What are some of the issues that restrict you from using relationship marketing to develop your business?

Extra Questions

14 How are the customer relationship requirements and interactions different in the construction industry?

15 How important is customer satisfaction, in terms of repeat business?

16 Do you think the tendering process is a barrier to wining customers based on relationships?

Thank you very much for your time. Are there any further comments you would like to add before we end the interview/stop recording?

Appendix C: Invitation to Participate - Survey

Dear <<Builder>>

My name is Kevin Swarts and I am a researcher at the University of Tasmania. My colleagues and I are conducting a research project entitled “Relationship Marketing in the Construction Industry”.

We have identified you as a licensed builder and would like to invite you to participate in this study by completing a short survey. **The survey takes approximately 10 minutes.**

Your participation to this academic research is greatly appreciated. Your responses will contribute to science by advancing our knowledge on marketing in the construction industry. Attached is an Information Sheet explaining all the details you need to know about this research.

If you agree to participate, **please proceed to the online survey by clicking on this link**:
https://surveys.utas.edu.au/index.php/171798

Kind regards,

Kevin Swarts
PhD Candidate (Management and Commerce)

Tasmanian School of Business and Economics
Locked Bag 1317, Room D113
Launceston TAS 7250

UNIVERSITY of TASMANIA
CRICOS 00586B

Appendix D: Invitation to Participate – Reminder

Dear Builder

You may have recently received an email inviting you to participate in an online survey. If you have already completed and submitted the survey, thank you for your valuable input. If not, please complete your survey and submit your responses by 23 February, 2018.

The survey takes approximately 10 minutes. Your responses are much appreciated as they help us to increase our scientific knowledge about marketing in the construction industry.

Attached is an Information Sheet explaining all the details you need to know about this research.

If you agree to participate, **please proceed to the online survey by clicking on this link**:
https://surveys.utas.edu.au/index.php/171798

Kind regards,

Kevin Swarts
Doctoral Candidate (Management and Commerce)

Tasmanian School of Business and Economics
Locked Bag 1317, Room D113
Launceston TAS 7250

CRICOS 00586B

Appendix E: Participant Information Sheet for Online Survey

You are invited to participate in a study on relationship marketing within the building and construction industry. Relationship marketing is a specific type of marketing approach that seeks to improve business performance by developing relationships with valuable customers, rather than focus on sales transactions.

This research is being conducted by Kevin Swarts, who is a PhD candidate at the University of Tasmania. This research is for the partial fulfilment of a Doctor of Philosophy (Management and Commerce). The project is supervised by Dr Gemma Lewis, Dr Kim Lehman, and Dr Mark Wickham who are Senior Lecturers at the Tasmanian School of Business and Economics, University of Tasmania.

The overall aim of this study is to improve customer satisfaction and innovation in the construction industry. This study specifically examines the extent to which extant relationship marketing theory transfers to industries with complex customer relationships.

You have been invited to participate in this research because you are licensed as a Registered Builder, operating in Australia. Your participation in this research is entirely voluntary. If you choose not to participate, there are no consequences, nor will this affect your relationship with the University.

If you agree to participate, you will be asked to complete an online survey, of approximately 10 minutes in duration. Please note you can either complete this survey yourselves, or send the link to your company's marketing or sales manager. The data collected from the survey will be analysed using a software program before being integrated with data collected from secondary stages of this study. All survey responses you provide will be de-identified before analysis, so to protect your anonymity and confidentiality.

The potential benefits of this study arise from furthering our knowledge on how builders can use marketing in their businesses. Survey participants can request they receive access to the findings of this study (when the research is completed) and a guide to successful marketing in the construction industry.
There are no foreseeable risks with this study. Participation in this research is free.

You are free to withdraw at any time. While we are pleased to have you participate, we respect your right to decline. There will be no consequences to you if you decide not to participate. If you decide to discontinue participation at any time, you may do so without providing an explanation. If you withdraw after the research has been published, it will be impossible to remove the data from the study; however, the data will not be re-identifiable to individual participants.

During the study, survey data will be treated confidentially and securely kept for five years from publication at the University of Tasmania. The data will be accessible by members of the research team. After the five-year period, the data will be security shredded.

The research will be published as a Doctoral Dissertation. This will be accessible from the University of Tasmania Library. The research may also be published in an academic journal. Your name will not be used in any publication arising out of this research.

If you would like to discuss any aspect of this study, please feel free to contact Kevin Swarts by email Kevin.Swarts@utas.edu.au or Dr Gemma Lewis (03) 6324 3932.

"This study has been approved by the Tasmanian Social Sciences Human Research Ethics Committee. If you have concerns or complaints about the conduct of this study, please contact the Executive Officer of the HREC (Tasmania) Network on +61 3 6226 6254 or email human.ethics@utas.edu.au. The Executive Officer is the person nominated to receive complaints from research participants. Please quote ethics reference number H0016775."

This research is supported by an Australian Government Research Training Program (RTP) Scholarship.

Appendix F: Invitation to Participate - Interviews

Dear [**Builder**]

Thank you for completing the survey on *Relationship Marketing in the Construction Industry* earlier this year. In the survey, you kindly indicated that you are prepared to participate in the interview phase of this research project. As the research project has progressed, I would love to organise a time to meet.

Are you able to meet on **[Date and Time]**? I am more than happy to visit you at your office, or alternatively we can meet at a jobsite or a café. The interview will go for about 45 min, discussing customer relationships within the construction industry.

After the interview and data analysis, participants will receive a relationship marketing report prepared by researchers at the University of Tasmania. Your contribution to this research project is much appreciated, and thank you for considering this request.

Kind regards,

Kevin Swarts
PhD Candidate (Management and Commerce)

Tasmanian School of Business and Economics
Locked Bag 1317, Room D113
Launceston TAS 7250

CRICOS 00586B

Appendix G: Characteristics of Builders Interviewed

ID	State	Licensed Builder	Marketing Manager	Type of Customers	Number of Employees	Years in Business	Buildings per Year	Approximate Turnover	New Homes	Units or Apartments	Renovations	Commercial	Marketing Awards
Builder 03	QLD	Yes	Yes	B2C: Mostly Consumers	3	28	5	Less than $1 million	No	No	Yes	No	Yes
Builder 07	QLD	Yes	No	About an even mix of B2C/B2B	25	18	9	$10 to $50 million	Yes	No	Yes	No	No
Builder 06	QLD	Yes	Yes	B2C: Mostly Consumers	2	20	3	Less than $1 million	No	No	Yes	No	No
Builder 02	QLD	Yes	Yes	B2C: Mostly Consumers	5	20	5	$1 to $5 million	No	No	Yes	Yes	No
Builder 01	QLD	Yes	Yes	B2C: Mostly Consumers	4	30	5	$1 to $5 million	No	No	Yes	No	No
Builder 05	QLD	Yes	Yes	B2C: Mostly Consumers	90	15		Retired	Yes	No	Yes	No	No
Builder 04	QLD	Yes	Yes	B2C: Mostly Consumers	1	20	6	$1 to $5 million	Yes	No	Yes	No	No
Builder 16	WA	Yes	Yes	Other (Government)	8	5	60	$1 to $5 million	Yes	Yes	Yes	No	No
Builder 17	WA	Yes	Yes	About an even mix of B2C/B2B	2	20	4	$5 to $10 million	Yes	Yes	Yes	Yes	No
Builder 14	TAS	Yes	Yes	About an even mix of B2C/B2B	7	3.5	15	$1 to $5 million	Yes	Yes	No	No	Yes
Builder 11	TAS	Yes	Yes	About an even mix of B2C/B2B	5	25	150	$1 to $5 million	No	No	No	No	No
Builder 15	TAS	Yes	Yes	B2B: Mostly Businesses	4	6	4	$1 to $5 million	Yes	Yes	No	No	N/A
Builder 19	WA	Yes	Yes	About an even mix of B2C/B2B	30	120	50	$5 to $10 million	Yes	Yes	Yes	Yes	No
Builder 10	TAS	Yes	Yes	B2C: Mostly Consumers	2	17	3	$1 to $5 million	Yes	No	Yes	No	No
Builder 13	TAS	Yes	Yes	B2C: Mostly Consumers	0	44	4	Less than $1 million	No	No	Yes	No	Yes
Builder 08	TAS	Yes	Yes	About an even mix of B2C/B2B	0	30	10	Less than $1 million	Yes	No	Yes	No	No
Builder 18	WA	Yes	Yes	B2C: Mostly Consumers	1	11	10	$1 to $5 million	Yes	Yes	Yes	No	No
Builder 12	TAS	Yes	Yes	B2C: Mostly Consumers	9	35	7	$5 to $10 million	Yes	Yes	Yes	No	Yes
Builder 09	TAS	Yes	Yes	B2C: Mostly Consumers	15	48	70	$10 to $50 million	Yes	No	No	No	Yes

Appendix H: Ethical Considerations

This research follows the *National Statement on Ethical Conduct in Human Research*, which provides guidelines on how to conduct research with human participants.

Values and Principles

This research is based on respect for human beings, research merit and integrity, justice, and beneficence. Respect for human beings acknowledges their intrinsic value and having due regard for their welfare. Research merit and integrity are justified by its potential benefit by contributing to knowledge in this field and follows an organised scientific process that permits scrutiny. Justice in this context is that the selection of research participants is fair and accurately described in the results of this research. Benefice considers the benefits of the research in contrast to the likely risks and aims to minimise any potential harm to participants.

Data Identifiability & Security

The data collected included the name of the individual and the organisation they work for, and other demographic variables such as the number of employees, type of construction projects, and annual turnover. The personal information was de-identified for analysis by replacing the individual's name with a code. The interview data will remain confidential and will not be accessible by anyone other than the members of the research team. During data collection and analysis, the data relating to the participant's identification was stored on the University's server using a password protected computer.

Informed Consent

For the quantitative data collection, builders were invited to participate. They were also sent an information sheet that explains the purpose of the study, why they have been selected to participate, what the possible risks and benefits are, and what they are being asked to do. The information sheet also sets out their right to withdraw, as quoted below:

> *Your involvement in this study is voluntary, and while we are pleased to have you participate, we respect your right to decline. There will be no consequences to you if you decide not to participate. By progressing with this survey, you are consenting to participate in this research. If you decide to discontinue participation at any time, you may do so without providing an explanation. If you withdraw after the research after it has been published, it will be impossible to remove the data from the study; however, the data will not be re-identifiable to individual participants.*

For the qualitative data collection, the participants were also given an information sheet before the interview. The information sheet explains that their participation in the research is voluntary. If the nominated person indicates that they do not want to participate, or they indicate that they feel coerced, the interview would not proceed. The information sheet also explains that the interviews are to be recorded for data analysis, and the participants were asked to provide verbal consent at the beginning of the recording.

Appendix I: Database Search

New South Wales

New South Wales has a public register of licensed building contractors on their OneGov website. The information contained in the register is restricted to that information which NSW Fair Trading is currently required to maintain under section 120 of the Home Building Act 1989 and clause 69 of the Home Building Regulations 2014. The register contains licensed building contractors, as well as various other licensed trades such as plumbers and electricians. These were filtered out through the refined search process, as well as any cancelled, suspended or expired licences. The returned results only included building contractors with a current license.

The public register is accessed through a search function which limits the number of search results. As such, an extensive search process was undertaken to harvest as many valid records as possible. Records starting with each letter of the alphabet were searched in a systematic way, starting with AA and proceeding to AZ. These records were copied from the website search results and pasted into a spreadsheet. If the search was exhausted by returning the maximum number of results, an extra letter was added to the search term, for example >>Co >>COn>> CONa. Some searches such as [Lim] did not yield reliable results as many organisations have 'PTY Limited' in their business name. The number of search results limits the number of records that were able to be retrieved that start with 'Lim'. Nevertheless, using this process allowed for the maximum number of records to be retrieved from the public register using the search function. The spreadsheet was then checked for duplicate records, which were removed. In total 12,968 records of current licensed builders were retrieved for the state of NSW.

Queensland

The state of Queensland has an online search tool to help locate builders that are licensed by the Queensland Building and Construction Commission (QBCC) by local area. It only contains licensees that have registered for the online search service and does not include all QBCC licensees. The search function is refined by work type, suburb, and distance. The register was searched for builders using major suburbs in Queensland. Highly populated suburbs like Brisbane City failed to return any results when using the maximum distance of 100km. As such, the search distances for these suburbs were incrementally reduced to allow the search function to return a stable result. The suburbs used were Brisbane city, Gold Coast, Sunshine Coast, Townsville, Cairns, Toowoomba city, Mackay, Rockhampton, Bundaberg, and Hervey Bay. These suburbs were selected due to their large population size, which enabled them to yield more fruitful results through the online search. The search results were copied into Microsoft Excel, and duplicate records were removed. In total, the search process collected 3,590 records of licensed builders for the state of Queensland.

Victoria

The state of Victoria provides an online practitioner search through the Victorian Building Authority website. The search function provides access to the public list of registered building practitioners. The database can be searched by practitioner name, registration number, type of work, suburb, and postcode. Initially the database was searched using alphabetical search terms similar to NSW. However, there were a large number of duplicate results and ‘noise’ in the search results. The second search process replicated the Queensland process, where the database was searched using location. The suburbs used were Melbourne,

Geelong, Ballarat, Bendigo, Melton, Shepparton, Wodonga, Sunbury, Pakenham, Mildura, and Warrnambool. The search refined by selecting the type of work as 'Domestic Builder – Unlimited'. Search results were copied from the website and pasted in to a spreadsheet, and duplicate records were removed. In total, the search process collected 700 licensed domestic builders for the state of Victoria.

Tasmania

The state of Tasmania has an occupational licensing database that is managed by the Department of Justice, on behalf of the Tasmanian state government. The database contains records on the licensing of accredited Building Services Providers under the Occupational Licensing Act 2005. This database can also be accessed by the public through a search function, which can be refined by license area, license type, and activity. Individual building service providers were searched under the category of builder. The suburb criterion was left blank to enable the search results to include all the builders within the state. The details for a total of 1,873 builders were collected for the state of Tasmania.

Western Australia

The Western Australian Building Commission keeps a resister of building contractors as required by the Building Services (Registration) Act 2011. Any individual, partnership or company that carries out, or contracts to carry out building work valued over $20,000 must be registered by the commission. The building commission provides the complete register which is available to download from their website. An Excel version of this register was procured from the building commission, which contained a complete list of currently registered building contractors and practitioners. As this research is focused on construction

firms, this list was filtered down to only include registered building contractors. A total of 5,090 registered building contractors were collected for the state of Western Australia.

South Australia

The state of South Australia has a public register of occupational licenses that is managed by Consumer and Business Services, which is a division of the South Australian Government's Attorney-General's Department. The public register can be accessed by using an online web search function. The database includes a variety of occupational licenses; however, the search function allows the database to be searched by license type, license status, and postcode. Currently licensed builders were searched within the major South Australian suburbs. The suburbs included in the list were Adelaide, Gawler, Mount Gambier, Whyalla, Murray Bridge, Mount Barker, Victor Harbour, Crafers-Bridgewater, Port Lincoln, and Port Pirie. The search results were copied from the website and pasted into a spreadsheet. A total of 1,540 builders were collected for the state of South Australia.